



2008

Taxpayer Assistance Manual

MICHIGAN DEPARTMENT OF TREASURY



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JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 24, 2008

Taxpayer Assistance Volunteers:

Thank you for volunteering your time and effort to this tax assistance program. Your primary function will be to assist taxpayers in preparing their Michigan income tax and credit forms. Specifically, you will be assisting in the preparation of income tax returns and homestead property tax credit and home heating credit forms. Returns and/or claim forms will be prepared from documentation furnished by the taxpayer and information obtained from discussions with the taxpayer(s). These step-by-step preparations and techniques will be discussed later in this Taxpayer Assistance Manual.

Please remember that any information you acquire about a specific taxpayer, or group of taxpayers, is confidential. Do not discuss this information with anyone except the specific taxpayer(s) or Treasury personnel.

Your provision of this important service is more critical than ever. If you have any general questions, please contact the volunteer help line at 1-888-860-8389, or if you have technical questions, call (517) 636-4230.

Again, thank you for the valuable service you provide to the citizens of Michigan.

Sincerely,

A handwritten signature in black ink that reads "Robert J. Kleine".

Robert J. Kleine
State Treasurer

CHAPTER 1
INTRODUCTION

2008 TAXPAYER ASSISTANCE
MANUAL

CHAPTER 1 INTRODUCTION

The Taxpayer Assistance Manual is a guide to completing the following Michigan income tax forms:

- MI-1040 MICHIGAN INDIVIDUAL INCOME TAX RETURN
- MI-1040CR HOMESTEAD PROPERTY TAX CREDIT CLAIM
- MI-1040CR-2 HOMESTEAD PROPERTY TAX CREDIT CLAIM FOR
VETERANS AND BLIND PEOPLE
- MI-1040CR-7 HOME HEATING CREDIT CLAIM

This Manual does not supersede the Income Tax Act of 1967 or the Revenue Act of 1941, both as amended.

This Manual is provided as a useful tool to assist you when you are preparing a return. It covers most situations for most taxpayers. If a taxpayer's circumstance is unusual or you are unsure how to apply these instructions, call the Michigan Department of Treasury (Treasury) at 1-888-860-8389.

GENERAL GUIDELINES

LABELS

Encourage the taxpayer to give you the booklet he or she received from Treasury. If the “peel-off” label (used by Treasury to send the booklet to the taxpayer) is accurate, peel it off and affix it to the return. When using the label, be sure to write the taxpayer’s Social Security number (SSN) on the appropriate line. If there are **any** errors on the label, do **not** use it. Instead, clearly print the taxpayer’s name, address, and SSN on the return. Do not use the label if taxpayer is a surviving spouse and the deceased taxpayer’s name is on the label.

COPY OF RETURN

E-filed Returns: When e-filing, provide the taxpayer with a paper copy of the return. It may be helpful to mark “COPY” on the taxpayer’s copy to eliminate any confusion, and reduce the number of duplicate returns received where the taxpayer’s return was e-filed and then later mailed.

Paper Returns: Prepare all returns in duplicate. File the original return and give the copy to the taxpayer. Inform the taxpayer that it is important to keep a copy of the return.

In both cases, if there are problems regarding the tax return, the taxpayer will be able to refer to the copy to see exactly what was entered on the return. Advise the taxpayer to bring the copy the following year to expedite preparation.

SIGNATURES

After you have prepared the return, write your site designation and the date prepared in preparer’s signature area. Then have the taxpayer (and spouse, if applicable) sign and date the return.

RELEASE TO DISCUSS INFORMATION

Ask the taxpayer if he or she wants to authorize personnel in Treasury to discuss the return with the preparer if additional information is needed. Have the taxpayer check the appropriate box.

ARRANGING AND MAILING RETURNS AND ATTACHMENTS

Each form contains a two-digit attachment sequence number in the upper-right corner to guide in the proper assembly of form MI-1040 and related schedules.

Do not staple form MI-1040CR-7 to the other returns. Fold it and leave it loose in the envelope.

Mail return to the address shown on the bottom of the return.

POSTAGE CHANGES

Effective May 2007, the U.S. Post Office calculates postage based on the weight, size, and thickness of an envelope. Consult with the Post Office mailing to avoid delays in delivery; items with insufficient postage will be returned to the sender by the Post Office.

DECEASED TAXPAYER

If a deceased taxpayer has a surviving spouse, use both surviving spouse's and deceased spouse's names and SSNs. Write "DECD" after the deceased's name. Include all income (including the deceased spouse's) on the return. A full exemption allowance is allowed for the deceased.

If there is no surviving spouse and you are preparing a return for the personal representative or claimant filing single or joint returns for deceased taxpayer(s), you must attach a copy of U.S. form 1310 or MI-1310 MICHIGAN CLAIM FOR REFUND DUE A DECEASED TAXPAYER. Enter the deceased person's name(s) in filer and spouse name fields as indicated and the representative/claimant name(s), title, and address in the home address field.

For examples, see chart on page 43 of the Michigan 1040 Instruction booklet.

COMPLETING A PAPER-FILED RETURN

Treasury uses scanning equipment to capture the information from paper income tax returns. To avoid unnecessary delays caused by manual processing, follow the guidelines below so that returns are processed quickly and accurately.

- **Use black or blue ink.** Do not use pencil, red ink, or felt tip pens. Do not highlight information.
- **Print using capital letters (UPPER CASE):** Capital letters are easier to recognize.
- **Print numbers like this: 0 1 2 3 4 5 6 7 8 9.** Do not put a slash through the zero or seven.
- **Leave lines/boxes blank** if they do not apply or if the amount is zero.
- **Do not write extra numbers, symbols, or notes** on the return, such as cents, dashes, decimal points, or dollar signs. Enclose any explanations on a separate sheet unless instructed to write explanations on the return.
- **Stay within the lines** when entering information in boxes.
- **Use whole dollars.** Round down amounts less than 50 cents. Round up amounts of 50 cents through 99 cents. Do not enter cents (e.g., 129.49 becomes 129, 129.50 becomes 130).

NEW FOR 2008

2-D BARCODING

Treasury will again accept 2-D barcodes for forms MI-1040 and MI-1040CR-7 for tax year 2008. Treasury will also continue to scan 2-D barcodes on prior year returns back to tax year 2002.

Benefits include:

- **Increased accuracy of data capture.** Barcode scanning is 100 percent accurate; data entry errors are eliminated.
- **Quicker access to taxpayer data.** This is especially important for Treasury's phone staff who can immediately respond to tax preparer and taxpayer questions.
- **Fewer calculation errors.** The software does the computations.
- **Reduced processing.** This saves Michigan taxpayer dollars.

The 2-D barcode does not print directly on the MI-1040 and MI-1040CR-7 forms. Instead, form 4220 MICHIGAN INDIVIDUAL INCOME TAX BARCODE DATASHEET will be created. The barcode datasheet is created when the taxpayer's return includes form MI-1040 and/or MI-1040CR-7 and barcoding is supported by the software vendor. The taxpayer name and address on the barcode datasheet must replicate the data provided on form MI-1040 and/or MI-1040CR-7. Make sure the barcode datasheet is attached to the **front** of the return(s).

2-D Barcode Reminders

The original return and form 4220, rather than a photocopy, must be filed. Taxpayers should keep the photocopy and mail the original to Treasury. It may be helpful to mark "COPY" on the client's copy to eliminate any confusion. For those clients who e-file, this will reduce the number of duplicate returns received where the taxpayer's return was e-filed and then later mailed in with form 4220.

When making a correction to the return, be sure to reprint the corrected page and form 4220. If form 4220 is not reprinted, the corrected information will not be included in the barcode.

It is recommended that the printer be capable of printing at 300 dpi. Make sure the printer has adequate toner or ink to produce a clean, readable barcode image.

"C/O" or "%" **should not** be used. "CARE OF" should be spelled out and used in place of the "C/O" or "%" symbol for all 2-D barcode returns.

SUMMARY OF CHANGES FOR 2008

Tax Rate	4.35%	
Personal Exemption	\$ 3,500	
Special Exemption	\$ 2,200	
Child Care Deduction	\$ 600	
Qualified Disabled Veteran Deduction	\$ 250	
Maximum Private Pension Deduction	\$43,440	Single, \$ 86,880 Joint
Maximum Senior Citizen Interest,	\$ 9,690	Single, \$ 19,380 Joint
Dividend and Capital Gain Deduction		

SUMMARY OF CHANGES FOR PRIOR YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tax Rate	3.95%	3.9%	3.9%	4.01%
Personal Exemption	\$3,100	\$3,200	\$3,300	\$3,400
Special Exemption	2,000	2,000	2,100	2,200
Child Care Deduction	600	600	600	600
Pension Deduction				
Single Filer	38,550	39,570	40,920	42,240
Jointly Filed	77,100	79,140	81,840	84,480
Senior Interest, Dividend and Capital Gains				
Single Filer	8,595	8,828	9,128	9,420
Jointly Filed	17,190	17,655	18,255	18,840

CUSTOMER SELF-SERVICE

Taxpayers and authorized representatives can check on the status of tax returns, get a summary of estimated payments, or ask a question about tax accounts using Treasury's convenient Customer Self-Service options. Taxpayers and authorized representatives are encouraged to use these channels to get information quickly and efficiently. For individual income tax information, call toll-free 1-800-827-4000 or access Treasury's Web site at www.michigan.gov/taxes.

It is very important that Treasury has the proper security measures in place for customers to access account information over the Internet. For privacy and security reasons, customers will have to authenticate and correctly enter a combination of shared secrets (e.g., adjusted gross income (AGI), SSN, etc.) before information can be accessed.

On the Web site, click on *Treasury Online Services*. Check the *Check My Income Tax Info* box. After verification of identification, choose the appropriate link. Additional information may be requested depending on the request. If more than one account will be checked, use the "Login/Logout" button located in the upper-right corner at the end of the Michigan banner to return to the customer login page. The next taxpayer can then be authenticated.

The following self-service options are available for individual tax accounts:

- Check the date Treasury is currently processing returns.
- Check if and when a refund, credit claim, or energy draft has been issued for the current year and three prior years.
- Check to see if a refund, credit, or energy draft has been returned to Treasury, direct-deposited into an account, or offset to a debt.
- Check the status of a letter sent to Treasury.
- Request copies of returns filed.
- Ask Treasury a question related to the account or check the status of a service request.
- Order copies of current and prior year tax forms.
- Request blank tax forms.

Call Treasury toll-free at 1-800-827-4000 to reach the automated response system. Entering or saying the information required activates the automated response system. Be cautioned that background noise or other conversations will be picked up by the automated response system.

The automated response system provides the current processing date and promotes self-service on the Web. Options available on the automated response system include:

- Current year status - The customer enters an SSN and AGI. The automated response system provides the following status information:
 - Current processing date
 - Completed with date
 - Pending review with date return should finish review
 - No record of return
 - The amount entered does not match Treasury records.
- Estimated payments - Enter the SSN and AGI from current year minus two (e.g., for tax year 2008, enter the AGI from the 2006 return). Also enter the tax year designated on the estimated payment. The automated response system provides payment amount(s) and date(s), credit forward amount and date, no payments on file, or transfers the caller to a Customer Service Representative (CSR).
- Prior year information - Enter the SSN, AGI, and tax year in question. The automated response system provides the following status information:
 - Completed with date
 - Pending review with date
 - No record of return
 - The amount entered does not match Treasury records.
- Tele-Help - The automated response system lists the three-digit codes for pre-recorded tax information (a complete list is available in the Michigan 1040 Instruction booklet). Enter the three-digit code and hear pre-recorded topics, such as “where to go for help,” “requesting a copy of your return,” or “refund offsets.” Multiple messages can be checked during one call.

FEDERAL/STATE AND STATE ONLY ELECTRONIC FILING PROGRAM

Application and Acceptance Process

Electronic filing (e-filing) of Michigan returns is available to all e-filers who have been accepted into the federal e-file program and who transmit returns to the Internal Revenue Service (IRS).

To participate in the Fed/State and State Only e-file Programs, applicants must apply to the IRS and be accepted. Anyone who registers with IRS e-Services can create a new (or revised) application online to participate in IRS e-file. Applicants may also complete and mail in a paper form 8633 APPLICATION TO PARTICIPATE IN THE IRS E-FILE PROGRAM if the electronic online option for submitting a new or revised application is not used. Individuals are encouraged to register with IRS e-Services and create a new (or revised) IRS e-file application. **Form 8633 is available from the IRS by telephone at 1-866-255-0654, or on the IRS Web site at www.irs.gov.**

Upon receipt of the completed form 8633, the IRS Service Center assigns an Electronic Filing Identification Number (EFIN) and, if applicable, an Electronic Transmitter Identification Number (ETIN) to the applicant.

Once accepted in the IRS e-file program, participation in Michigan's e-file program is automatic. Treasury will use the EFIN assigned by the IRS. Michigan does not assign any additional identification numbers.

Forms That Can Be E-filed

- MI-1040 Individual Income Tax Return (**Required for all Fed/State e-filed returns; not required for State Only e-filed returns.**)
- Schedule 1 Additions to and Subtractions from Income
- Schedule 2 Nonrefundable Credits
- Schedule NR Nonresident and Part-Year Resident Schedule
- MI-1040CR Homestead Property Tax Credit Claim, **or**
- MI-1040CR-2 Homestead Property Tax Credit Claim for Veterans and Blind People

Note: Either MI-1040CR or MI-1040CR-2 may be filed, but not both.

- MI-1040CR-5 Farmland Preservation Tax Credit Claim
- Schedule CR-5 Schedule of Taxes and Allocation to Each Agreement (beginning in tax year 2006, returns filed for Property Development Rights can be e-filed.)
- MI-1040CR-7 Home Heating Credit Claim
- Schedule CT College Tuition and Fees Credit
- MI-1040D Adjustments of Capital Gains and Losses
- MI-1040H Schedule of Apportionment
- MI-2210 Underpayment of Estimated Income Tax

- MI-4797 Adjustments of Gains and Losses From Sales of Business Property
- MI-8839 Qualified Adoption Expenses
- 4013 Resident Tribal Member (RTM) Annual Sales Tax Credit
- 4642 Voluntary Contributions Schedule
- W-2 form Wage and Tax Statement
- 1099 form(s)

Notes: The information from the W-2 and 1099 is entered in the software and transmitted with the e-filed return. Do not mail W-2 and 1099 forms to Treasury. All 1099 and W-2 information, when applicable, is required when submitting a State Only return. The Schedule W should be included in the copy of the printed return.

Michigan will accept e-file returns for deceased taxpayers. If the U.S form 1310 return information is required, it must be included with the Michigan e-file return. For additional information on how to address returns on behalf of a deceased taxpayer, refer to page 47 of the MI-1040 Instruction booklet.

- All required federal forms and schedules.

Exclusions From E-File

When the following forms are included, form MI-1040 **can be e-filed**, but the forms must be mailed to the address indicated on the form:

- MI-1045 Application for Michigan Net Operating Loss Refund
- 4 Application for Extension of Time to File Michigan Tax Returns

The taxpayer is **not eligible for e-file** for the 2008 tax year if:

- Filing returns or forms listed as excluded in IRS *Publication 1345*
- Filing form MI-1040 and any of the following apply:
 - Fiscal year filer
 - Prior year return(s)
 - Not required to file U.S. form 1040 if filing Fed/State
 - Filing form MI-1040X Amended Michigan Income Tax Return
 - Filing form 3581 Michigan Historic Preservation Credit
 - Filing form MI-1040CR-5 with more than 25 agreements
 - Filing form MI-8839 and claiming more than four children
 - Claiming the Stillbirth Tax Credit
 - Claiming the Venture Capital Investment Deduction

Michigan E-file Signature Process

Fed/State Returns: Michigan will accept the federal signature (Self Select Personal Identification Number (PIN) or Practitioner PIN). Michigan does not require any additional signature documentation. If the taxpayer chooses to complete form MI-8453 MICHIGAN INDIVIDUAL INCOME TAX DECLARATION FOR ELECTRONIC FILING, Treasury recommends the preparer retain it for six years. **Do not** mail form MI-8453 to Treasury.

State Only Returns: State Only returns filed with or without a Michigan form MI-1040 can be signed using “shared secrets” or form MI-8453 signature document. The shared secrets consist of the SSN(s), previous year’s AGI or household income (HHI), and the previous year’s tax due or refund amount. If form MI-8453 is used, the preparer may retain a copy of form MI-8453. Form MI-8453 should **not** be mailed to Treasury.

Note: The AGI or HHI, refund, or tax due amount must be from the previous year’s return. Treasury can accept this information from the original return, amended return, or return as corrected by Treasury.

If the return is signed using shared secrets and the return is rejected because the shared secrets do not match, the taxpayer/preparer may correct the shared secrets information and retransmit. There is no limit on how many times a State Only return can be retransmitted in this circumstance.

Volunteer Groups: If a taxpayer completes form MI-8453, it should be mailed to Treasury. Treasury recommends collecting all forms MI-8453 at the end of the filing season and sending them to Treasury at the address included in the instructions. Volunteer preparers may also provide taxpayers with their forms MI-8453 and instruct them to mail them to Treasury. If located in a permanent facility, volunteer preparers may retain forms MI-8453 on file the same as a paid preparer.

Acknowledgment of Michigan Returns

Michigan uses the IRS State Acknowledge Service. The Michigan acknowledgment informs transmitters that the Michigan return data has been received. The Michigan acknowledgment is separate from the federal acknowledgment.

Do not assume that an acknowledgment from the IRS is a guarantee of receipt by Michigan.

Under normal processing conditions, the Michigan acknowledgment file is available to a transmitter within three working days of successful transmission to the IRS.

Michigan will perform checks for the State return during the acceptance process. **All electronically filed returns are subject to Michigan audit and can be delayed regardless of the status code given.** Acceptance and rejection codes are defined below.

A = Electronic return was **accepted**.

D = Duplicate return: A return has already been received and accepted for this SSN or is a duplicate of a previously rejected return.

E = Fed/State filing is received with an Imperfect Return Indicator and the Michigan return is **accepted**.

R = The return was **rejected** by Michigan. This code will be displayed with one or two three-character status code(s).

Treasury offers the following options when Michigan returns are rejected or if the preparer or transmitter encountered problems during transmission, and the Michigan return or a portion of the return was not transmitted with the federal return.

- Michigan return can be retransmitted as a State Only return.
- If the software does not allow for State Only e-file, the preparer may fax form MI-1040 and accompanying attachments to the Alternative Filing Office at (517) 636-4378, Attention: Alternative Filing Office.

Transmitters and Electronic Return Originators (EROs) must advise taxpayers to wait at least two weeks from the date of acknowledgment before calling a Treasury representative.

Rejection Codes Received From the IRS Service Centers

For Fed/State e-file, the IRS will perform specific consistency checks for the State return that will compare data items in the State generic record to the same data items in the federal tax return. If the data items are not identical, both returns will be rejected. For State Only e-file, the IRS will validate the primary and secondary SSNs against the names. If the return does not pass validation, it will be rejected. Refer to IRS *Publication 1345* and *1345A* for IRS rejection and error code explanation.

If a federal return is rejected due to errors listed in IRS *Publication 1345A*, the accompanying Michigan return will also be rejected. If the error is one that can be corrected, both return records may be retransmitted to the IRS.

Form MI-1040-V Michigan E-file Payment Voucher

Michigan will accept e-file returns with a balance due at any time during the e-file processing season. Electronic filers must furnish form MI-1040V to a taxpayer who e-files a return with a balance due. Instructions for completing and mailing form MI-1040V are located on the form.

Transmitters should confirm that Michigan has issued an acknowledgment of the State return before considering the State filing complete.

Michigan does not participate in an electronic funds withdrawal process for tax due returns. All payments for e-file returns must be mailed to Treasury along with a copy of form MI-1040-V. **Do not** include a copy of the tax return with form MI-1040-V. Payment is due by April 15, 2009.

Preparers must inform taxpayers that payment of taxes due should be no later than April 15, 2009. If taxpayers do not make full payment of income tax due on or before April 15, 2009, they will receive a bill. The bill will show tax due plus applicable penalty and interest.

Important! To ensure timely posting of payments, use form MI-1040-V only for e-file returns. Do not use form MI-1040-V to make any other payments to the State of Michigan. Do not include form MI-1040-V when mailing a paper return and payment.

Refund Returns

Direct Deposit information is part of the electronic record; therefore, a separate form 3174 DIRECT DEPOSIT OF REFUND does not have to be completed for e-file. However, the Direct Deposit information for the federal and State returns can be different. This is especially important if there is a Rapid Refund or a Refund Anticipation Loan (RAL). Make sure this information is correct for both federal and State refunds. Preparers may want to request documentation from the taxpayer to verify bank account information.

Treasury **cannot** make any changes to Direct Deposit information after the return is transmitted.

Changes on the Return

If corrections must be made once the return has been accepted and acknowledged, the taxpayer must file form MI-1040X on paper.

Contact Information

Michigan e-file publications and forms are available on Treasury's Web site at www.MIfastfile.org. For questions about the e-file program, contact the Alternative Filing staff at:

MIfile2D@michigan.gov
(517) 636-4450
(517) 636-4378 (Fax)
Teletypewriter (TTY) Assistance only: (517) 636-4999

Alternative Filing Programs
Michigan Department of Treasury
P.O. Box 30058
Lansing, Michigan 48909

This contact information is for **tax preparers and software developers only** and enables Treasury to provide better service to authorized e-file providers. The Alternative Filing staff is unable to provide return status information or address specific taxpayer account issues.

Tax Preparer Resources

Visit Treasury's Web site at www.MIfastfile.org for more information on Michigan's alternative filing programs including:

- **2008 Alternative Filing Tax Preparer Handbooks.** These Handbooks are available on Treasury's Web site at www.MIfastfile.org. For tax year 2008, there are three handbooks. The *Individual Income Tax E-file and 2-D Barcoding Handbook*, *Single Business Tax E-file Handbook*, and the *Michigan Business Tax E-file Handbook*. Go to www.MIfastfile.org, click on Tax Preparer, and scroll down to the handbook links.
- **Treasury Tax Professionals LISTSERV.** This is a free service that disseminates mass e-mail messages, within seconds, to all subscribers. Sign up to receive electronic communications on Treasury's e-file programs and other information of interest. To subscribe to this service or for additional information, visit Treasury's Web site at www.MIfastfile.org and click on "Tax Preparer."
- Information on online e-file courses.
- Frequently asked questions.

CHAPTER 2

HOMESTEAD PROPERTY TAX CREDIT MI-1040CR, MI-1040CR-2

CHAPTER 2

HOMESTEAD PROPERTY TAX CREDIT

MI-1040CR, MI-1040CR-2

GENERAL INFORMATION

INTRODUCTION

A homestead property tax credit is given by the State of Michigan to assist residents in paying their property taxes. Property taxes are taxes paid by a homeowner directly to a Michigan city, township, or county, or that portion of rent paid to a landlord which represents property tax on an apartment, duplex, home, or other rental unit.

CREDIT REFUND

The taxpayer will be refunded the total credit unless he or she has a liability for:

- Income tax, business tax, etc.
- Other State agencies
- Friend of the Court
- Third party liabilities.

If the taxpayer has a liability, the credit will be used to offset the amount due. However, should the credit be greater than the liability, the balance of the credit will be refunded.

INSTRUCTIONS

This chapter will often refer to the “instructions.” These are the instruction booklets used to prepare the homestead property tax credit forms MI-1040CR and MI-1040CR-2. Read the instruction booklets. The following information will recap and/or further explain the instructions.

WHO MAY CLAIM A CREDIT

A credit may be claimed for a person who:

1. Was a Michigan resident for at least six months of the year, **and**
2. Owned or rented and occupied a Michigan homestead on which either property tax or a service fee was paid, **and**
3. Has property taxes that exceed 3.5 percent household income, **and**
4. Has household income that does not exceed \$82,650.

HOMESTEADS THAT DO NOT QUALIFY

A homestead property tax credit may not be claimed for:

1. Rent paid to a city housing project if no property taxes or service fees are paid by the property owner.
2. Rent or property taxes on a summer cottage.
3. Rent or property taxes on property not located in Michigan.
4. Rent paid by anyone who is not a domiciled resident of Michigan.

CALCULATION OF THE CREDIT

Home Owner

For most filers, the credit is equal to 60 percent of the amount that property taxes exceed 3.5 percent of HHI. If the claimant is: (1) a senior citizen (at least one spouse is 65 or older); (2) totally and permanently disabled; (3) blind; (4) deaf; or (5) paraplegic, quadriplegic, or hemiplegic, the amount that can be claimed is 100 percent of the amount that property taxes exceed 3.5 percent of the HHI.

Renter

For most filers, the credit is equal to 60 percent of the amount that 20 percent of the annual rent exceeds 3.5 percent of HHI. If the claimant is either: (1) a senior citizen (at least one spouse is 65 or older); (2) totally and permanently disabled; (3) blind; (4) deaf; (5) paraplegic, quadriplegic, or hemiplegic, the amount that can be claimed is 100 percent of the amount that 20 percent of the rent exceeds 3.5 percent of HHI.

PERCENT NOT REFUNDABLE - HOUSEHOLD INCOME \$6,000 OR LESS

For most filers, 3.5 percent of HHI is subtracted from the annual property tax or 20 percent of annual rent to arrive at the credit. However, if the claimant or spouse is 65 or older or is a paraplegic, quadriplegic, hemiplegic, blind, deaf, or is totally and permanently disabled, **and** the total HHI is \$6,000 or less, use the percentage found in the table below.

<u>Income</u>	<u>% of Income</u>
\$3,000 or less	0%
\$3,001 - \$4,000	1
\$4,001 - \$5,000	2
\$5,001 - \$6,000	3
Greater than \$6,000	3.5

MAXIMUM CREDIT

The maximum credit is \$1,200, even if the calculated amount is greater than \$1,200.

PHASE-OUT

For taxpayers whose HHI exceeds \$73,650, the computed credit (maximum \$1,200) must be reduced by ten percent for each thousand or portion of thousand over \$73,650.

WHEN TO FILE CLAIM

Claims must be filed within four years from the due date of form MI-1040.

WHICH FORM TO USE (MI-1040CR OR MI-1040CR-2)

Use form MI-1040CR for:

- General claimant.
- Senior citizen - regular method. Also, paraplegic, quadriplegic, hemiplegic, totally and permanently disabled, blind, or deaf persons.
- Senior citizen - alternate rent credit (rent larger than 40 percent of HHI).
- Senior citizen - homeowner over age 99 optional method.

Use form MI-1040CR-2 for:

- Veteran with a service-connected disability or veteran's surviving spouse, a surviving spouse of a veteran deceased in service, a veteran of wars before World War I, or a pensioned veteran.
- Person in active military whose income is less than \$7,500.
- Surviving spouse of a nondisabled or nonpensioned veteran of the Korean War, World War II, or World War I whose household income is less than \$7,500.
- Blind person who owns his or her home.

IDENTIFICATION

Complete the identifying information section as follows:

1. Enter name(s) and current mailing address. Use the mailing label if the information is correct.
- 2&3. Enter the SSN(s) on the return, even if the label is used. Ask to see the claimant's Social Security card(s). It is important that the correct number is entered. Both SSNs must be included on the form for married filing jointly and filing separately. This claim must be filed jointly unless there is a legal separation **and** separate homesteads are maintained.
4. Enter school district code. Obtain the code numbers from the instruction booklet.
5. Check the box that applies to the taxpayer or spouse.

Use the following definitions:

- Senior Citizen One spouse must be 65 or older on December 31, 2008, to qualify. The unremarried spouse, regardless of age, of a person who was 65 or older at the time of death also qualifies.
- Paraplegic An individual who has paralysis of the lower half of the body.
- Quadriplegic An individual who has paralysis of both arms and both legs.
- Hemiplegic An individual who has paralysis of one side of the body.
- Totally and permanently disabled person Generally a claimant who qualifies for this credit is receiving Social Security disability, Supplemental Security Income (SSI), or veterans' disability retirement payments. An individual who is 65 or older cannot claim totally and permanently disabled.
- Deaf Hearing-impaired to a degree that the primary method of receiving communication is through a sense other than hearing.
- Blind Vision with corrective lenses of 20/200 or less in the better eye, or peripheral field vision of 20 degrees or less.

COMPUTATION

This section identifies the allowable taxes, rent, and HHI which are the key figures needed to calculate the credit.

PROPERTY OWNER

Property Taxes

The taxable value (TV) and property taxes must be entered on lines 6 and 7 of the return. The TV can be found on the property tax statement or it can be obtained from the local tax assessor.

Homestead Property Owner

Determine the property is occupied by the owner. Remember:

1. Claim only the taxes **billed** for the year of claim regardless of when tax was paid.
2. Administrative fees of up to one percent of the taxes may be included in the amount of taxes used to compute the credit.
3. Special assessments may **not** be included in taxes unless special assessments are based on the TV and applied to the entire taxing jurisdiction. Public Act 28 of 2003 allows assessments on a portion of a township to be included in the credit calculation if the assessment is for police, fire, or advanced life support.
4. Delinquent taxes paid in 2008 may **not** be included in the amount of taxes used to compute the credit for 2008.
5. If the homestead was bought or sold during 2008, the taxes must be prorated for the time each homestead was occupied.

Farmland Property Owner

A claimant is entitled to a homestead property tax credit on farmland under the following conditions:

1. If gross receipts from farming are greater than claimant's HHI, all taxes on farmland may be claimed for credit including taxes on unoccupied land. The claimant may not include taxes on land that is not adjacent or contiguous to his or her home and is rented or leased to another person.
2. If gross receipts from farming are less than claimant's HHI, taxes are limited to property taxes on farmland adjacent and contiguous to the home providing claimant lived on the land ten years or more, **or**

3. If claimant has not lived on the land for ten years and the gross receipts from farming are less than HHI, only the taxes on the home and five acres of adjacent or contiguous farmland may be claimed for credit. The township assessor can give the claimant this information.

Home Owner, Full Year

Indicate TV on line 6 and all allowable property taxes on line 7.

Home Owner, Part Year

Property taxes must be prorated if the claimant was a part-year resident **or** a full-year resident who bought or sold a home during the year. The total time claimed for all homesteads must not exceed 12 months or 366 days, and the taxes must be prorated for the time claimant lived in each. Part-year residents are limited to the number of days they actually lived in Michigan. They must live in Michigan for at least **six months to qualify**. Complete lines 36 through 42 on the back of the return. Use both columns if necessary. Then carry the figure on line 42 to line 7.

Example:

Richard Dixon sold his homestead (house A) on March 15. He occupied it until March 31. On April 1, he moved into a new homestead (house B) which he purchased. Property taxes billed for that year are as follows:

<u>Taxing Authority</u>	<u>Date Billed</u>	<u>House A</u>	<u>House B</u>
City	July	\$600	\$ 1,050
County	November	<u>130</u>	<u>235</u>
Total		<u>\$730</u>	<u>\$1,285</u>

Mr. Dixon occupied house A for 90 days and house B for 275 days in the tax year. He is entitled to use the following percentage of property taxes on each house for the credit:

<u>House A</u>	<u>House B</u>
$\frac{90 \text{ Days}}{366 \text{ Days}} = 25\%$	$\frac{275 \text{ Days}}{366 \text{ Days}} = 75\%$

Therefore, Mr. Dixon is entitled to use the following taxes:

	<u>Total Tax</u>		<u>%</u>		<u>Allowable Tax</u>
House A	\$ 730	x	25%	=	\$ 183
House B	<u>1,285</u>	x	<u>75%</u>	=	<u>964</u>
Total	<u>\$2,015</u>		<u>100%</u>		<u>\$1,147</u>

RENTER

Rent

If a landlord does not pay property tax or a service fee, no portion of the rent is considered to be property tax. Therefore, no credit is allowed.

Rent should not include security deposits, late fees, or charges for other services provided, such as meals or housekeeping.

The property tax included in rent is as follows:

1. 20 percent of rent paid, if the landlord pays property tax.
2. Ten percent of rent paid, if the landlord pays a service fee to the local unit of government instead of property tax.

Renter, Full Year

Claimant rented homestead for the full year (12 months). Complete lines 43 and 44 on the back of the return. Carry the figure on line 44 to line 8 on the front of the return. Calculate 20 percent of line 8 and enter on line 9.

Renter, Part-Year

Claimant either moved from a rental situation to owning a home, was a part-year resident, or is filing on behalf of a deceased taxpayer. Claimant may only claim rent for the period of time he or she was a resident and actually occupied the rental unit. Do not include rent beyond the dates claimant lived in the unit (i.e., paid additional rent to fulfill a lease when he or she moved to another homestead). Complete lines 43 and 44 on the back of the return. Carry the figure on line 44 to line 8 on the front of the return. Calculate 20 percent of line 8 and enter on line 9. If the claimant also bought or sold a home, complete lines 36 through 42 and carry the figures to line 7.

TYPES OF HOUSING

To determine whether the claimant should be reporting a property tax figure or rent, consider the various types of housing and/or circumstances that may affect how the claimant should file.

Mobile Home

A claimant living in a mobile home park may claim \$3 per month in addition to 20 percent of the balance of the rent paid. The \$3 per month is a specific tax in addition to the general property tax paid. If the renter also pays a **separate property tax** for an additional attached building (such as a garage, carport, or shed), he or she may also claim the specific property tax. The taxes must be billed separately to qualify. Complete lines 43 and 44 on the back of the return. Include the lot rent minus the \$3 per month tax. Carry the figure on line 44 to line 8. Calculate 20 percent of line 8 and enter on line 9. Also, enter \$3 a month or \$36 for the full year for the specific tax on line 7.

Example:

George Smith lives in the Happy Motor Trailer Park. Rental receipts reviewed disclose total rent paid of \$1,636.

Included in each month's rent is a \$3 specific tax, which totals \$36 a year. Enter this amount on line 7 as taxes paid and enter the balance of \$1,600 on line 8 as rent paid.

Service Fee Housing

Complete lines 45 through 47 of the back of the return. Carry the figure on line 47 to line 7 on the front of the return. Leave line 6 blank and **do not** complete lines 8 and 9.

Nursing Home, Home for the Aged, and Adult Foster Care Claimants

A permanent resident of a nursing home, home for the aged, or foster care home is entitled to a homestead property tax credit if the facility bills a lump sum for rent and services. The resident's allocable share is calculated by dividing the facility's property tax by the number of licensed beds.

If the facility received a direct payment from a State or federal agency for the care of the resident, then the allocable share may be limited. The resident cannot claim an allocable share that is greater than the charges paid by the resident to the facility.

Example: Mrs. Brown's nursing home charges were billed in a lump sum of \$13,000 (for rent, food, and other nursing services) to the State of Michigan. Of that sum, \$12,000 was paid directly to the nursing home by the State. Mrs. Brown paid the balance due of \$1,000. Mrs. Brown's "allocable share" of property taxes on the nursing home, based on 100 beds and \$60,000 in real property taxes, is \$600. Since Mrs. Brown's total charges paid by her are greater than her "allocable share," only the allocable share of \$600 may be used by her for calculating a property tax credit.

Room and Board

If the claimant pays room and board in **separate** billings, the claimant must base the credit on the rent. If the claimant pays room and board in **one** billing, the credit must be based on a prorated share of the property taxes on the facility. If the landlord does not provide this figure, divide the square footage of the claimant's living space by the total square footage of the facility, then multiply the total taxes on the facility by that percentage.

Special Housing

If the claimant resides in housing where the rent includes meals and other services (housekeeping, laundry, transportation, etc.), the credit must be based on the prorated share of the taxes on the entire property. The facility must provide the claimant with the prorated share of the property taxes for use in the credit calculation. Claimants may not calculate the credit by using the portion of the monthly payment as rent.

Cooperative Housing

Use the claimant's share of property taxes on the building and 20 percent of rent paid on leased land (if co-op is built on rented land). Ask to see a statement from the co-op giving the amount of taxes or the percentage of the monthly payment that is considered tax on claimant's unit. Complete lines 43 and 44 for the "land rent" and carry to line 8. Calculate 20 percent and enter on line 9. Indicate TV on line 6 and enter property taxes on line 7.

HOUSEHOLD INCOME

Complete lines 11 through 28 according to the instructions.

HHI is the total income of a husband and wife or a single person maintaining a household. It is made up of taxable and non-taxable income. HHI is federal AGI plus income that is specifically excluded or exempted from federal tax. (*See Income and Deductible Items, page 75.*)

The following is a **partial list** of excluded income that must be included in a claimant's HHI:

1. Benefits received from Social Security, including SSI and railroad retirement benefits. Do not include Medicare payments in this total.
2. Family Independence Program (FIP) assistance and Department of Human Services (DHS).
3. Unemployment insurance benefits.
4. Workers' compensation payments.
5. Veteran's disability payments, pension benefit, or mustering out payments.
6. Amounts received for loss of wages due to permanent disability.

7. Amounts received as damages for personal injury or sickness.
8. Amounts in excess of the claimant's contributions received from a pension plan or annuity. This includes reimbursement payments, such as an increase in a pension to pay for Medicare charges.
9. Life insurance proceeds, except benefits from insurance on a spouse.
10. Money received from a person who is legally obligated to support a member of the household.
11. An inheritance, bequest, or devise, excluding an inheritance from a spouse.
12. Educational benefits received under federal or State legislation with respect to services in the military or naval forces of the United States.
13. A scholarship or other educational grant.
14. Income from an obligation issued by a state or its political subdivisions, including this State.
15. Gifts in cash or kind from nongovernmental sources exceeding \$300.
16. The portion of capital gains and dividends excluded or deducted from federal AGI.
17. All capital gains. This is the total of short- and long-term gains less short- and long-term losses from U.S. Schedule 1040D. Include gains realized on the sale of taxpayer's residence regardless of age or whether or not these gains are exempt from federal income tax. Losses may not be deducted.
18. Death benefits paid by or on behalf of an employer, excluding benefits paid for a spouse.
19. Earned income from foreign sources excluded from federal gross income.
20. Accumulation distributions received from a trust.
21. Net rental income.
22. Child support.
23. Lump sum distributions that have been deducted in arriving at federal AGI.
24. Amounts received for minor children or other dependent adults who live with the claimant.

Household income **does not include** (partial list):

1. Minor child's income.
2. Loan proceeds.
3. Surplus foods.
4. Receipt of original contributions to pension plans.
5. Relief in kind by a governmental unit such as Medicaid payments to a nursing home or doctor, or rent paid in whole or in part directly to the landlord. Chore service payments are income to the provider but not to the person receiving the benefits.
6. Governmental grants which must be used by the claimant to improve a homestead.
7. State and city income tax refunds, including homestead property tax and home heating credits. Farmland preservation tax credits are included in federal AGI and household income.
8. Amounts deducted from Social Security or railroad retirement benefits for Medicare premiums.
9. Amounts paid by an employer for life, health, or accident insurance.
10. First \$300 in income from gambling, bingo, lottery, or prizes and awards during the year.
11. Stipends received by a person 60 years of age or older who is acting as a foster grandparent under the Foster Grandparent Program or as a senior companion of the Domestic Volunteer Service Act.
12. An inheritance from a spouse.
13. Life insurance benefits from a policy on the claimant's spouse.

<p>Note: Any health insurance premiums paid, in whole or in part, by the claimant and not by the employer for both claimant and family are deductible from gross income to arrive at HHI. The filer may not claim protection insurance premiums for monetary compensation if he or she acquires a specific disease or becomes disabled. Also, a deduction may not be taken for insurance premiums covering the cost of nursing home or in-home care. The taxpayer may claim the portion of an auto insurance policy that covers medical coverage.</p>
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Enter the following on line 25, "Other Adjustments," taken from the adjustments to income portion of form U.S. 1040:

1. Payments made to an Individual Retirement Account (IRA), Keogh (HR10), SEP, or Simple Plans if deducted from federal AGI.
2. Student loan interest deduction.
3. Health savings account deduction.
4. Medical insurance/HMO premiums claimant paid.
5. Moving expenses when moving into Michigan.
6. Deduction for ½ of the self-employment tax.
7. Self-employed health insurance deduction.
8. Forfeited interest penalty for premature withdrawal.
9. Alimony paid.
10. Net operating loss (NOL) deduction (may not exceed federal modified taxable income).
11. Educator expenses.
12. Tuition and fees deduction.
13. Domestic production activities deduction.

The adjustments listed above, plus any other losses shown, should be supported by attaching a copy of the front page of U.S. form 1040 and/or all supporting schedules indicating the losses.

See instruction booklet for additional information. Refer to Income and Deductible Items, page 76, for other items which may or may not be included in household income.

INSUFFICIENT INCOME TO COVER LIVING EXPENSES

HHI must be sufficient to pay property taxes or rent plus living expenses. If income is insufficient, attach a note explaining the extenuating circumstances. General questions may be asked to obtain additional information.

Example:

A claimant comes into the office with W-2s showing total wages of \$2,500 which he or she claims to be the only income received for the year. This claimant also shows you rent receipts totaling \$3,000. Upon questioning the claimant, you discover the claimant has three children and claims no other money was received during the year. Obviously, something is wrong. The claimant spent \$3,000 towards rent but only had \$2,500 available to spend. In addition, there must have been other living expenses incurred to maintain the household.

The following are some questions you might ask the claimant to ascertain other possible sources of income:

- Did you receive ANY other income during the year from other sources, such as child support?
- Did you receive food stamps or other non-cash assistance during the year?
- Did you share living expenses with anyone else (rent, food, etc.)?
- Did you receive gifts of cash or were expenses paid on your behalf by friends or relatives?

State returns suspected to contain false information should be sent to the Treasury Discovery and Tax Enforcement Division, with a note of explanation.

CREDIT COMPUTATION METHODS

This section discusses how to compute a property tax credit. If the claimant is eligible for more than one method, choose the method which produces the largest credit.

All filers must reduce the computed property tax credit by ten percent for every \$1,000 (or part of \$1,000) that HHI exceeds \$73,650. A property tax credit is not available to any filer whose household income exceeds \$82,650.

The credit computation methods are:

- General claimant
- Senior citizen - regular method. Paraplegic, quadriplegic, hemiplegic, totally and permanently disabled, blind, or deaf person.
- Senior citizen - alternate rent credit method (rent larger than 40 percent of HHI)
- Senior citizen - optional method (homeowner age 99 and older)
- Service persons or veterans or their widows or widowers
- Blind persons
- FIP recipient.

GENERAL CLAIMANT

Qualifications

This method is available when the claimant or spouse does not qualify for any other method or when the taxpayer or spouse does qualify for one or more of the other methods but the other method(s) results in a smaller refund or credit.

Method of Computation

The credit is equal to 60 percent of the amount by which property taxes or 20 percent of the rent paid exceeds 3.5 percent of HHI.

Examples:

<u>Homeowner</u>		<u>Renter</u>	
Property Taxes	\$820	Rent/Year	\$4,000
			<u>x 0.2</u>
			800
Household Income	\$9,500	Household Income	\$9,500
	<u>x 0.035</u>		<u>x 0.035</u>
Amount Not Refundable	<u>- 333</u>	Amount Not Refundable	<u>- 333</u>
Balance	487	Balance	467
	<u>x 0.6</u>		<u>x 0.6</u>
Credit	<u>\$292</u>	Credit	<u>\$ 280</u>

Note: A general claimant will always apply 3.5 percent to household income, even when the household income is \$6,000 or less.

SENIOR CITIZEN, PARAPLEGIC, QUADRAPLEGIC, HEMIPLEGIC, TOTALLY AND PERMANENTLY DISABLED, BLIND, OR DEAF PERSONS

Qualifications

See page 24 of this text.

Method of Computation

The credit equals the amount by which property taxes or 20 percent of the rent paid exceeds 3.5 percent of HHI. The following examples illustrate the computation for both the homeowner and the renter.

Examples:

<u>Homeowner</u>		<u>Renter</u>	
Property Taxes	\$620	Rent/Year	\$4,000
			<u>x 0.2</u>
			800
<u>Homeowner</u>		<u>Renter</u>	
Household Income	\$8,000	Household Income	\$8,000
	<u>x 0.035</u>		<u>x 0.035</u>
Amount Not Refundable	<u>- 280</u>	Amount Not Refundable	<u>- 280</u>
Credit	<u>\$340</u>	Credit	<u>\$ 520</u>

Notes: If HHI is \$6,000 or less, substitute the 3.5 percent with the lower percentage found in the table on page 22 of this text or in the Michigan 1040 Instruction booklet.

A homeowner who is blind should also complete form MI-1040CR-2 and select the form that results in the larger credit.

SENIOR CITIZEN - ALTERNATE METHOD FOR RENTER (RENT LARGER THAN 40% OF HHI)

Qualifications

A claimant is eligible for this method if either spouse is 65 or over and they rent their homestead.

Method of Computation

The credit is equal to the amount by which the annual rent paid exceeds 40 percent of the HHI. The illustration below compares this method to the regular method for a senior citizen.

<u>Regular Method</u>		<u>Alternate Method</u>	
Rent/Year	\$4,000	Rent/Year	\$4,000
	<u>x 0.2</u>		
	800		
Household Income	\$8,000	Household Income	\$8,000
x 3.5%	<u>x 0.035</u>	x 40%	<u>x 0.4</u>

Amount Not Refundable - 280

Regular Method Credit \$ 520

Amount Not Refundable - 3,200

Alternate Method Credit \$ 800

Use the Alternate Method = \$800.

SENIOR CITIZEN - HOME OWNER AGE 99 OR OVER IN 2008

Qualifications

To qualify for this method, the taxpayer must meet all of the following:

1. The claimant or spouse must have received a senior citizen credit in 1974.
2. The HHI must be less than \$6,000.
3. The claimant's age is at least:

<u>Year</u>	<u>Age</u>
2004	95
2005	96
2006	97
2007	98
2008	99

Method of Computation

Use the following formula to determine the property tax credit:

$$\frac{\$2,500}{TV} \times \text{Property Tax} = \text{Credit}$$

Example:

Harry Freeman is 99 years old and his HHI is \$5,500. The TV on his house is \$10,000, while the property taxes are \$320. Using the optional method, Mr. Freeman's credit is \$80, determined as follows:

$$\frac{\$ 2,500}{\$10,000} \times \$320 = \$80$$

However, using the senior citizen HHI method, as discussed earlier, Mr. Freeman's credit is \$155, determined as follows:

Property Taxes	\$320
Taxes Not Refundable (Table 3)	
(3% x \$5,500)	<u>-165</u>
Allowable Credit	<u>\$155</u>

In this situation, prepare the form using the HHI calculation, even though the claimant qualifies for both methods. If a senior citizen is qualified to use the alternate method, attach a sheet showing the computation.

Senior citizens who are renters are not entitled to use the optional method.

SERVICE PERSONS, VETERANS, OR THEIR WIDOWS OR WIDOWERS

Qualifications

A serviceman, servicewoman, veteran, and his or her widow or widower who owns his or her own home and meets one of the following descriptions is entitled to use a special TV calculation (form MI-1040CR-2):

1. Veteran with service-connected disability or widow or widower
2. Widow or widower of a veteran deceased in service
3. Veteran of war before World War I or widow or widower
4. Pensioned veteran or widow or widower
5. Active serviceperson or widow or widower
6. Widow or widower of a nondisabled or nonpensioned veteran of certain wars.

To qualify under categories 3 through 6 above, the claimant cannot have HHI greater than \$7,500. FIP/DHS benefits must be included in the HHI.

Method of Computation - Home Owner

The credit calculation for an eligible serviceman, servicewomen, veteran, widow, or widower is:

$$\frac{\text{TVA}}{\text{TV}} \times \text{Property Tax} = \text{Credit}$$

Table 1 in the MI-1040CR-2 Instruction booklet lists the taxable value allowance (TVA) for each category of serviceman, servicewoman, veteran, widow, or widower.

To determine the refundable percentage for TVs, divide the TVA by the TV.

Method of Computation - Renter

The following formula is used to compute the TV:

$$\frac{\text{20\% of Rent Paid}}{\text{Combined Millage Rate of the Locality of the Homestead}} = \text{TV}$$

(Non-homestead rate must be used)

Example:

Martin Barnum is a 70 percent disabled veteran. He lived all year in an apartment and paid \$250 per month in rent. The combined county and city millage rate on the property is 56 mills (.056). Mr. Barnum's property tax credit is calculated as follows:

1. Property tax included in rent:

Monthly Rent	\$ 250
	<u>x 12</u>
Annual Rent	3,000
	<u>x 0.20</u>
Property Tax	<u>\$ 600</u>

2. TV:

Property Tax divided by Combined Millage Rate = TV

$$\frac{\$600}{0.056} = \$10,714$$

3. TVA for a 70 percent disabled veteran is \$4,000. (See Table 1 in the MI-1040CR-2 Instruction booklet.)
4. Percent of taxes refundable from $\frac{\text{TVA}}{\text{TV}} = 37.3\%$
5. Property Tax Credit:

20% of Annual Rent multiplied by % of Taxes Refundable = Allowable Credit

$$\$600 \times 37.3\% = \$224$$

BLIND PERSON

Qualifications

To use the following method, a person must qualify as blind under Michigan Compiled Law (MCL) 206.504(1). Generally, this is vision of 20/200 or less in the better eye with corrective lenses, or peripheral field vision of 20 degrees or less.

Method of Computation

The credit calculation for a blind person is:

$$\frac{\text{TVA}}{\text{TV}} \times \text{Property Tax} = \text{Credit}$$

The TVA for the following categories of blindness is:

<u>Claimant</u>	<u>TVA</u>
Blind individual	\$3,500
Husband and wife (one blind)	3,500
Husband and wife (both blind)	7,000

A blind claimant who is a homeowner may use the TVA/TV method. A blind claimant who is a renter may not use form MI-1040CR-2.

PUBLIC ASSISTANCE RECIPIENT/DEPARTMENT OF HUMAN SERVICES

Qualifications

An individual whose only income is from DHS is not eligible for a homestead property tax or rent credit. Assistance payments include FIP and State Disability Assistance (SDA). A taxpayer who received other income in addition to these benefits is eligible to file for the credit.

Method of Computation

Prorate the credit for a DHS recipient by using the ratio (percentage) of non-DHS income to total HHI.

Example:

Jane Canton earned wages of \$4,000 and received DHS payments of \$6,000 during the tax year. She will receive a credit equal to 40 percent of the property tax credit.

$$\frac{\text{Non-DHS Income (Wages)}}{\text{HHI}} = \frac{\$ 4,000}{\$10,000} = 40\%$$

If her property tax or rent credit was computed at \$400, she would receive a credit of \$160 (\$400 x 40%).

Child Support

Subtract child support payments included in the DHS benefits from the amount on the DHS statement when calculating the non-DHS income. Include the child support as other income when computing the ratio of non-DHS income to total HHI.

Example:

Jane Canton informs you that her husband pays child support. She should obtain a child support statement from the Friend of the Court indicating the amount of child support paid. If the statement indicates her husband paid \$2,000 in child support, compute the percentage as follows:

DHS				\$ 6,000
Less: Child Support Per Statement				
From Friend of the Court			<u>2,000</u>	
Net DHS			<u>\$ 4,000</u>	
<u>Wages + Child Support</u>	=	<u>\$4,000 + \$2,000</u>	=	60%
HHI		\$10,000		

In this example, Jane can claim 60 percent of the credit. Make the following three entries on the household income schedule:

Wages	\$ 4,000
FIP/DHS	4,000
Child Support	<u>2,000</u>
Total HHI	<u>\$ 10,000</u>

Attach the annual statement from Friend of the Court to form MI-1040CR or MI-1040CR-2, whichever is being completed.

(See page 93 for further information on DHS and Child Support.)

SPECIAL SITUATIONS

Married-Joint Filers, Separate Homesteads

A claimant may file for one 12-month period. Even though a husband and wife maintain separate homesteads, if they file a joint State income tax return they must file a joint property tax credit. They may claim only one homestead and must include their total combined HHI.

Married-Separate Filer, Joint Homestead

If a husband and wife file separate federal and Michigan returns and maintain a joint homestead they must:

1. Enter combined HHI.
2. Enter total property taxes and/or rent paid for the year.
3. Split the credit between spouses.
4. Attach a copy of the CR form to each return.

Example:

Jason and Ruth Gordon (husband and wife) maintain one homestead at 111 Main Street, Anytown, Michigan. They filed separate federal and Michigan income tax returns. Their only income is wages. Jason earned \$25,000 and Ruth earned \$17,500. Homestead property taxes are \$2,525. The correct property tax credit is computed as follows:

Jason's Wages	\$25,000
Ruth's Wages	<u>17,500</u>
Combined HHI	<u>\$42,500</u>
Homestead Property Tax	\$ 2,525
Less 3.5% of HHI (0.035 x \$42,500)	<u>- 1,488</u>
Net Property Tax x 60%	<u>1,037</u> <u>x 0.60</u>
Homestead Property Tax Credit	<u>\$ 622</u>

The total of the Gordons' property tax credit cannot exceed \$622. If the Gordons elect to split the credit evenly, each would claim \$311.

Married-Separate Filer, Separate Homestead

If a husband and wife file separate federal and Michigan returns and maintain separate homesteads for the entire year, they must:

1. Determine that each spouse has established his or her separate domicile.
2. Enter only his or her HHI.
3. Enter only property tax and/or rent paid on his or her homestead.

Divorced or Separated Filer

If a married couple separates or obtains a divorce during the year, each party usually establishes a separate homestead. The rules for determining homestead property tax for each claimant are:

1. Each claimant is entitled to a prorated share of the taxes or rent paid for the period prior to separation or divorce, based on each claimant's income to total income for the period.
2. Each claimant is entitled to his or her own prorated property tax or rent paid after separation plus his or her share of taxes or rent paid in the period prior to separation or divorce.
3. If applicable, a claimant must include house payments or rent paid by the other claimant in HHI.

Example:

A husband and wife separated on May 1. The property tax on the home is \$800. The husband continued to pay the mortgage on the home of \$225 per month. In addition, he rented an apartment for \$200 per month from May 1 through December 31. His income for the period prior to divorce is \$4,000, and her income is \$2,000.

Husband:

1.	No. of Months in Year With Spouse	x	Property Tax	x	$\frac{\text{Husband's Income}}{\text{Total Income}}$	=	Prorated Property Tax for Period Living Together
	4/12	x	\$800	x	$\frac{\$4,000}{\$6,000}$ (0.667)	=	\$178
2.	No. of Months Rented	x	Monthly Rent	x	20%	=	Prorated Tax in Rent
	8	x	\$200	x	0.20	=	\$320
3.	Prorated Property Tax	+	Tax Paid in Rent			=	Prorated Property Taxes
	\$178	+	\$320			=	\$498

Wife:

1. No. of Months in Year With Spouse	x	Property Tax	x	$\frac{\text{Wife's Income}}{\text{Total Income}}$	=	Prorated Property Tax for Period Living Together
4/12	x	\$800	x	$\frac{\$2,000}{\$6,000}$ (.333)	=	\$89
2. Remainder of Months per Year	x	Property Tax			=	Prorated Property Tax
8/12	x	\$800			=	\$533
3. Prorated Property Tax	+	Prorated Property Tax			=	Prorated Property Taxes
\$89	+	\$533			=	\$622

The wife must include \$1,800 in HHI because her husband paid the monthly mortgage payments of \$225 for eight months after the separation ($\$225 \times 8 = \$1,800$).

Part-Year Resident

If claimant resided in Michigan for at least six months of the year of the claim:

1. Enter HHI received during the time claimant resided in Michigan. It may be necessary to annualize HHI to determine if income exceeds phase-out limit. (*See "Annualized Household Income."*)
2. Enter rent paid or prorated property tax for length of time claimant occupied a Michigan homestead. (*See page 26 for proration of property tax.*)

Note: Business income and/or losses which occurred in another state must be included in Michigan HHI, based on the number of days the claimant was a Michigan resident to 365 days.

Deceased Claimant, Single Individual

If filing for a deceased claimant with no surviving spouse:

1. Enter HHI received up to the date of death. (*See "Annualized Household Income."*)
2. Enter prorated property taxes or use the amount of rent paid to decedent's date of death.

Note: The heir, personal representative, or person (other than spouse) filing for decedent must file form MI-1310 with claim.

Annualized Household Income

A part-year resident or claimant filing on behalf of a deceased taxpayer must annualize the HHI to determine if income exceeds the phase-out limit. If the claimant is over 65 years old or is a paraplegic, quadriplegic, hemiplegic, or is totally and permanently disabled, and is filing either as a part-year resident or on behalf of the deceased, the HHI must be annualized to determine the percentage of taxes not refundable.

To annualize HHI, compute income as follows:

$$\frac{\text{Michigan Income}}{\text{\# of Days in Michigan}} = \text{Income Per Day} \times 366 \text{ Days} = \text{Annualized Income}$$

Example:

A claimant and spouse were residents of Michigan for 212 days of the tax year and had HHI of \$20,417 during their Michigan residency. Compute their annualized income as follows:

$$\frac{\$20,417}{212} = \$96.31 \times 366 \text{ days} = \$35,249$$

Owner-Occupied Rental Property

If a claimant owns and lives in a multiple dwelling homestead and rents a portion of it, not all the property tax can be claimed for credit.

Note: School operating taxes are only levied on the non-homestead portion of the property and may not be included in taxes levied when computing the property tax credit.

Owner-occupied duplexes. When both units are equal, the taxes that can be claimed are limited to 50 percent of the tax on both units, after subtracting the school operating taxes from the total taxes billed.

Owner-occupied income property. Apartment building owners who live in one of the units or single family homeowners who rent a room(s) to a tenant(s) must do two calculations to figure the tax they can claim and base their credit on the **lower** amount. First, subtract 20 percent of the rent collected from the tax that can be claimed for credit. Second, reduce the tax claimed for credit by the amount of tax claimed as a business deduction on U.S. form 1040.

For example, a home has an upstairs apartment that is rented to a tenant for \$395 a month. Total property taxes on the home are \$2,150. The calculations are as follows:

- Step 1:** $\$395 \times 12 = \$4,740$ annual rent
 $\$4,740 \times 0.20 = \948 taxes attributable to the apartment
 $\$2,150$ total taxes - $\$948 = \$1,202$ taxes attributable to owner's homestead.
- Step 2:** $\$2,150$ total taxes - $\$858$ taxes claimed as a business deduction = $\$1,292$
 taxes attributable to homestead.

The owner's taxes that can be claimed for credit are \$1,202, the smaller of the two computations.

Adults Sharing Homestead

Two or more unrelated adults may be entitled to claim a property tax as explained below.

1. If one of the individuals signed the lease and makes all payments or owns the homestead and pays the property tax, that adult is entitled to claim a credit on the total property tax or rent paid. If the other person contributes to the household, that amount must be included in the claimant's HHI. Include it on line 21 (Other Nontaxable Income).

Or

2. If each of the adult occupants owns the homestead or has contracted to pay a share of the rent, each is a claimant and is entitled to file a claim based on his or her own HHI and his or her share of the taxes or rent paid.

Example:

A claimant owns and occupies a homestead that she shares with her two adult children. Neither child paid rent or room and board but contributes to their mother's household income. Since the children are not owners of the home nor did they contract to pay rent, the mother is entitled to claim all the property taxes in computing her homestead property tax credit. She must include the childrens' contributions in HHI.

CHAPTER 3

HOME HEATING CREDIT MI-1040CR-7

CHAPTER 3 HOME HEATING CREDIT MI-1040CR-7

GENERAL INFORMATION

INTRODUCTION

A home heating credit helps low-income families pay their heating costs. This credit is claimed on form MI-1040CR-7.

Note: Michigan's home heating credit is funded by federal Low-Income Home Energy Assistance Program Grants. The credit for 2008 may be reduced if the grant from the Low-Income Home Energy Assistance Program has been reduced.

Do not attach form MI-1040CR-7 to form MI-1040. The home heating credit cannot offset an income tax liability. If form MI-1040CR-7 is attached to form MI-1040, it may cause delays in processing the credits.

Under **Public Act 335 of 2004** for certain claimants, the amount of a credit that exceeded outstanding heating bills would have to be applied by the energy provider to subsequent bills until used up or until nine months had passed. If there was any remaining energy draft amount after the nine-month period (or if the claimant was no longer a customer of the provider before the end of the nine-month period), the heating fuel provider would remit it to the claimant within 14 days. This would apply only if the claimant was a DHS recipient or received home heating assistance from a governmental agency or a nonprofit organization 12 months prior to remitting an energy draft to the claimant's enrolled heating fuel provider.

As a result of this legislation, taxpayers who receive their heat from DTE Energy, Consumers Energy, or SEMCO Gas will have their home heating credit sent directly to their heat provider whether or not they are enrolled in DHS's direct payment program.

The current refund provisions would continue to apply to a claimant who did not fit the category described above.

INSTRUCTIONS

Read the MI-1040CR-7 Instruction booklet. The following information will recap and/or further explain the instructions in the booklet. ("Instructions" refers to the booklet used to prepare form MI-1040CR-7.)

WHEN TO FILE CLAIM

A home heating credit claim must be filed by **September 30** of the year following the year of the claim.

ELIGIBILITY

Who May Claim a Credit

A credit may be claimed if each of the following is true:

1. Taxpayer's homestead is in Michigan.
2. Taxpayer owns or rents the home where he or she lives.
3. Taxpayer's income is within the income limits listed on page 15 of the instruction booklet.

Who May Not Claim a Credit

A home heating credit cannot be claimed if:

1. Taxpayer is a full-time student claimed as a dependent by another person.
2. Taxpayer is a resident of a congregate care facility (e.g., nursing home, foster care home, home for aged, substance abuse center, etc.)

Exception: A claimant who did not reside in a congregate care facility for the full tax year may claim a home heating credit based on a proration of the standard allowance. If the claim is for less than 12 months, only the standard credit method can be used.

IDENTIFYING INFORMATION

Enter claimant's:

1. Name(s) and address. Be sure to enter claimant's current address.
2. SSN. If necessary, ask to see claimant's Social Security card.
3. Spouse's SSN, if applicable.
4. County code. Codes are listed on page 15 of the instruction booklet.
5. Check the "Yes" box if claimant's heat costs are currently included in the rent or the heat service is in someone else's name.

Note: Do not mark through, cross out, etc., any box that does not apply to the claimant. Leave the box blank.

6. Check the box if the claimant wants his or her name referred for possible assistance.
7. Check Yes or No box if taxpayer or taxpayer's spouse received SSI.
8. Age(s) if 60 years old or older; otherwise, leave blank.
9. Claimant's total heating cost for November 1, 2007 through October 31, 2008.
10. Check one box only (a through d) if applicable to the claimant; otherwise, leave it blank. Do not check box if joint return and only one spouse lives in a care facility.
11. Exemptions. Enter the number that applies on the appropriate lines:
 - A. Personal Exemption. (Claimant and spouse.)
 - B. Age 65 or older. (An exemption may be claimed for the taxpayer, spouse, and each dependent of the taxpayer who is age 65 or older on December 31, 2008.)
 - C. An exemption may be claimed for the taxpayer, spouse, and each dependent of the taxpayer who is:
 - Deaf. (Includes being hearing-impaired to a degree that the primary method of receiving communication is through a sense other than hearing.)
 - Disabled or Blind. (Disabled - Totally and permanently disabled as defined under the Social Security Guidelines (42U5c416 of the U.S. Code). Blind - Defined under MCL 206.504 (1) as vision of 20/200 or less in the better eye with corrective lenses or peripheral field of vision of 20 degrees or less.)
 - D. Unemployment compensation. If 50 percent or more of claimant's combined AGI is from unemployment compensation, he or she may claim **one** additional exemption. If a U.S. form 1040 is filed, AGI is the amount on line 37.
 - E, F, G Enter number of children living with the claimant:
 - An exemption **can** be claimed on form MI-1040CR-7 for any child(ren) living with the claimant.
 - An exemption **cannot** be claimed on form MI-1040CR-7 for any child(ren) **not** living with the claimant, even if the claimant pays most of the support and is entitled to an exemption(s) on form MI-1040.

H. Enter the number of dependent adults other than claimant's spouse who live with claimant (including children over 18) **and for whom the claimant provided more than half the dependent's support.**

I. Add lines A through H.

12. Name, relationship, SSN, and age of the dependents claimed.

HOUSEHOLD INCOME

HHI is the total income received by a husband and wife or a single person. It includes income from all sources. It is the federal AGI plus income that is specifically excluded or exempted from federal tax. (*See Income and Deductible Items, page 75.*)

Example:

Mr. and Mrs. Smith have total wages of \$7,500 and interest of \$250. Federal AGI was \$7,750. Mrs. Smith receives child support of \$3,500 (which is not taxable) from a previous marriage. The total HHI is \$11,250.

STANDARD CREDIT OR ALTERNATE CREDIT COMPUTATION: WHICH METHOD TO USE

A standard credit is computed based on the number of exemptions and total HHI.

The alternate credit is computed based on total HHI and total heating costs.

If the claimant **currently** does not contract to pay heating costs, use the standard credit.

If the claimant was a part-year resident or filing on behalf of a taxpayer deceased during 2008, use the standard credit.

If the claimant lives in a condominium and does not contract to pay for heating costs, use the standard credit.

If the claimant contracts to pay for heating costs, calculate both methods and claim the larger credit.

STANDARD CREDIT COMPUTATION FOR 2008

The standard credit computation is based on the number of exemptions and total HHI.

First, the number of exemptions is used to determine the standard allowance from the table below:

Standard	Income <u>Exemptions</u>	<u>Allowance</u>	<u>Ceiling</u>
	0 or 1	\$ 401	\$ 11,443
	2	540	15,415
	3	679	19,386
	4	817	23,329
	5	956	27,301
	6	1,094	31,243
	Each over 6*	+ 139	+ 3,971

***Example:** If eight exemptions are claimed, the standard allowance for 2008 is \$1,372.
 $(2 \times \$139 = \$278 + \$1,094 = \$1,372)$

IMPORTANT: Heating credits may be prorated for the tax year 2008. The proration percentage was not available at the time this manual was prepared.

Renter

If claimants are renters and heating costs are currently included in their rent, the standard home heating credit is reduced by 50 percent. An individual who currently pays the landlord separately for heat, and not the heat provider, must also reduce the credit by 50 percent.

Michigan Resident, Full Year

The following example illustrates how to compute the credit for full-year residents based on the above table, which can also be found on page 15 (Table A) of the instruction booklet. If the eligible claimant's HHI exceeds the income ceiling corresponding to the number of exemptions allowed on the Michigan return, the individual is not eligible for a credit.

Example:

John and Mary had household income of \$8,200. They were both 65 years old in 2008, which entitles them to four exemptions on the 2008 return.

Standard Allowance for 4 exemptions	\$ 817
Less 3.5% Household Income (0.035 x \$8,200)	<u>-287</u>
Home Heating Credit	\$ 530 (subject to possible proration)

If John and Mary rented their homestead and heating costs were included in their rent, the credit would be computed as follows:

Home Heating	
Credit (From Above)	\$ 530
Less 50% of the Credit	
(0.5 x \$ 530)	<u>- 265</u>
Reduced Home Heating Credit	\$ 265 (subject to possible proration)

Part-Year Resident or Deceased Claimant

The standard allowance is prorated and only the HHI received while the taxpayer was a Michigan resident is used to compute the credit.

Example:

John and Mary Doe moved to Michigan on May 1. They have four children which entitles them to a total of six exemptions. Their Michigan income is \$14,800.

1. <u>No. of Days in Michigan</u>	x	Standard	=	Prorated Standard
366 Days		Allowance		Allowance
<u>245</u> = (67%)	x	\$1,094	=	\$733
366				
2. Prorated Standard Allowance		\$733		
Less 3.5% of Household Income				
(0.035 x \$14,800)				<u>-518</u>
Home Heating Credit				\$215 (subject to possible proration)

If John and Mary Doe rented their homestead and heating costs were included in their rent, the home heating credit would be reduced by 50 percent.

Home Heating Credit	\$ 215
Less 50%	
(0.5 x \$215)	<u>- 108</u>
Reduced Home Heating Credit	\$ 107 (subject to possible proration)

Adults Sharing Homestead

If a claimant **shares** a home but is **not** the owner or renter, he or she cannot claim a credit.

When people who are not spouses **own a home jointly**, each can claim a home heating credit based on individual HHI. The same is true for renters. Determine the standard allowance from Table A in the instruction booklet, using the total number of exemptions in the home. Do **not** include Michigan special exemptions or dependent exemptions in this total. Divide the standard allowance by the number of claimants in the home.

Example:

Three unrelated men share an apartment. Each has a signed lease and pays 1/3 of the rent. The standard allowance for three exemptions is \$679. Each person must use a standard allowance of \$226.33 ($\$679 \div 3$) to compute his credit.

If eligible for a special exemption for age, blindness, disability, or unemployment compensation, compute the standard allowance following this example.

Example:

Emma and Ruth (sisters) share a home. Emma is age 60 and Ruth is age 65. They file separate form MI-1040CR-7 claims. They must first divide the \$540 standard allowance by 2. Emma's allowance is \$270. However, Ruth qualifies for an extra exemption for age. She adds to her share of the standard allowance of \$270, the difference between the standard allowance for three (\$679) and the standard allowance for two (\$540 as follows):

$$\$679 - \$540 = \$139 + \$270 = \$409 \text{ allowance for Ruth}$$

Condominium Owner

The owner of a condominium who does not contract separately for heating costs but pays a maintenance fee, does not have to reduce the claim to 50 percent. Leave box 5 blank and attach a letter of explanation.

Alternate Credit Computation

The alternate credit computation is based on total HHI and total heating costs.

For 2008, a claimant's HHI may not exceed the maximum income amount corresponding to the number of exemptions claimed on the return based on the following table:

<u>Exemptions</u>	<u>Maximum Income</u>
0 or 1	\$ 12,590
2	16,942
3	21,298
4 or more	21,373

Heating Cost

A claimant must provide his or her total heating costs for the 12 consecutive monthly billing periods ending in October of the tax year. A claimant should contact his or her enrolled heating provider for this information. If claimant is not a customer of an enrolled heating fuel provider, use billing statements to calculate the total cost for the 12 consecutive months ending in October of the tax year. Enter the smaller of \$2,351 or the total cost.

Heating costs include amounts paid for fuel oil, electricity (if homestead has electric heat), gas, coal, wood, or propane. The cost of wood is the amount spent during the 12 consecutive months ending sometime in October of the tax year or the fair market value if harvested from property owned by the claimant.

Michigan Resident, Full-Year

The following example illustrates how to compute the alternate credit for a full-year resident based on Table B on page 15 of the instruction booklet.

Example:

James and Jean Smith have HHI of \$12,000 and three exemptions. Their total heating cost is \$1,850. Their HHI does not exceed the maximum income allowed for 3 exemptions.

Maximum Fuel Cost	\$1,850
Less 11% of Household Income (0.11 x \$12,000)	<u>-1320</u>
Balance	530
Multiply by 70%	<u>x 0.70</u>
Home Heating Credit	\$ 371 (subject to possible proration)

DRAFTS OR WARRANTS

If, at the time of filing, the taxpayer pays his or her own heating costs, the taxpayer will receive an energy draft.

If, at the time of filing, the taxpayer's heat is included in rent, the taxpayer will receive a check.

For taxpayers whose heat is provided by DTE Energy, Consumers Energy, or SEMCO, the home heating credit will be sent directly to the heat provider. If the credit amount exceeded the heat account balance, check the box on line 43 to receive a refund from the heat provider for the overpayment, if eligible. If not eligible, the excess refund will be used toward future bills. If after nine months there is still refund money due, the heat provider will send the excess refund to the individual. Eligibility requirements are: 1) no outstanding balance with the heat provider **and** 2) no heat assistance received in the past 12 months.

CHAPTER 4

MICHIGAN INCOME TAX MI-1040

CHAPTER 4 MICHIGAN INCOME TAX MI-1040

INTRODUCTION

FILING REQUIREMENTS

Every person who is a Michigan resident for all or part of the tax year is **required** to file a Michigan income tax return if any of the following are true:

1. Michigan Income Tax is due.
2. The taxpayer is due a refund.
3. A federal return is required.
4. The AGI is greater than the personal exemption allowance on a Michigan Income Tax return.

For tax year 2008, a taxpayer is allowed \$3,500 for each personal exemption.

Anyone eligible to be claimed as a dependent on someone else's return may claim a \$1,500 exemption (\$3,000 on a joint return). This is true whether or not the other person claims the exemption.

To prepare a Michigan income tax return, you must have a copy of the taxpayer's federal income tax return. The U.S. form 1040/1040EZ/1040A return contains information needed to prepare a Michigan income tax return. You will need to complete the Michigan form MI-1040 if the return is a U.S. form 1040, 1040A, or 1040EZ.

Taxpayers who file any of the following schedules or forms with their federal return must attach a copy to their Michigan income tax return and designate the location of any business activity or the location of any real property involved.

Schedule B	Interest and dividend income (if over \$5,000)
Schedule C or C-EZ	Profit or loss from business
Schedule F	Farm income and expenses (include address of farm)
Schedule E	Supplemental income and loss (losses from rents, royalties, partnerships, estates and trusts, and S corporations)
Schedule D and Form 4797	Capital and ordinary gains and losses (copies of federal forms 1040D and 4797 are required if taxpayer is filing forms MI-1040D and MI-4797).
Form 2555	Foreign earned income
Form 3903 or 3903-F	Moving expenses

Form 6198	Computation of deductible loss from an activity described in Internal Revenue Code (IRC) Section 465(c)
U.S. Schedule R or form 1040A Schedule 3	Credit for the elderly or totally and permanently disabled
Form 4868	Application for Automatic Extension of Time to File U.S. Individual Income Tax Return.
Form 8829	Expense for business use of home

MI-1040

This chapter will refer to the “instructions.” This refers to the instruction booklet used to prepare form MI-1040. Read the instruction booklet. The following information will recap and/or further explain the instructions in the booklet.

DUE DATE OF RETURN

Income tax returns are due on the 15th day of the fourth month following the close of the taxpayer’s calendar or fiscal tax year. If the due date falls on a weekend or a holiday, the next business day will be considered the due date. The due date for 2008 income tax returns will be April 15, 2009.

EXTENSION

If a taxpayer receives an extension of time to file a federal income tax return (federal form 4868), attach a copy to form MI-1040. Treasury will extend the due date to the new federal due date.

If a taxpayer does not have a federal extension, complete form 4 APPLICATION FOR EXTENSION OF TIME TO FILE MICHIGAN TAX RETURNS **with the payment of tax due.** Upon receipt of form 4, Treasury will grant an automatic extension of time to file.

The taxpayer will not receive any notification of approval of a request for an extension.

An extension allows a taxpayer to file later than April 15, 2009. It does not allow a taxpayer to pay the tax later. If the tax is not paid by April 15, 2009, appropriate penalty and interest will be charged.

Do not file an extension request if claiming a refund.

United States military personnel serving in a combat zone on April 15, 2009, will be given 180 days after leaving the combat zone to file their federal and State returns and will be exempt from penalties and interest. Servicemen and women serving in combat zones will simply write “Combat Zone” in ink on the top of page 1 of their return.

IDENTIFICATION SECTION

Enter taxpayer's:

- Name(s).
- Current mailing address. If the taxpayer changes his or her address after filing a return/claim, the taxpayer should notify Treasury **in writing** of the change of address.

SOCIAL SECURITY NUMBER(S)

Enter the SSN on the return, even if using a label. Ask to see taxpayer's Social Security cards. It is important to enter the taxpayer's correct SSN(s). If the claimant is married filing jointly or married filing separately, both SSNs must be included on the form.

SCHOOL DISTRICT CODE

Obtain the code number from pages 45 and 46 of the instruction booklet.

STATE CAMPAIGN FUND

A taxpayer and/or spouse may designate \$3 of their taxes to go to the State campaign fund. This decision will not increase the tax liability or reduce the refund.

FILING STATUS

The filing status used on form MI-1040 must be the same as the filing status used for the federal return, with one exception: taxpayers who file "married filing separately" for federal purposes may file either "married filing jointly" or "married filing separately" on the Michigan return.

<u>Federal Status</u>	<u>State Status</u>
Single	Single
Head of Household	Single
Qualifying Widow(er)	Single
Married, Joint	Married, Joint
Married, Separate	Married, Separate
	or
	Married, Joint

RESIDENCY STATUS

Check box a, b, or c. If one spouse is a resident and the other spouse a nonresident or part-year resident, check the appropriate boxes. If taxpayer is a part-year resident or a nonresident, Schedule NR must be completed.

1. **Resident.** An individual is a Michigan resident if Michigan is his or her permanent home. A permanent home is the place an individual intends to return to whenever he or she goes away.
2. **Nonresident.** An individual whose permanent home is not in Michigan. A nonresident must file a Michigan return if any income is attributable to Michigan. Some examples are wages earned in Michigan or income received from a business activity located in Michigan.
3. **Part-Year Resident.** An individual who moved in or out of Michigan during the year. A temporary absence from Michigan, such as spending the winter in a southern state, **does not** make the taxpayer a part-year resident. A taxpayer is a part-year resident only if he or she moved his or her permanent home into or out of Michigan.

A taxpayer filing as a nonresident or part-year resident must:

1. Complete Schedule NR and attach it to form MI-1040 allocating all items of AGI between the states. (Attach appropriate schedules verifying adjustments.)
2. Prorate **personal** and **dependency** exemption amounts by dividing Michigan income by total income. Do not prorate the child care deduction.

Michigan has reciprocal agreements with Illinois, Indiana, Kentucky, Minnesota, Ohio, and Wisconsin. Michigan residents pay only Michigan income tax on salaries and wages earned in these states.

A resident of a reciprocal state who earned wages in Michigan must file form MI-1040 to receive a refund of Michigan tax withheld. Be sure to indicate the taxpayer's state of residence.

EXEMPTIONS

The following are the exemption allowances for 2008:

1. \$3,500 for each exemption the taxpayer is allowed to claim on the federal return.
2. An additional \$2,200 for each Michigan special exemption.
3. A \$600 Child Care deduction for each child 18 and under claimed as a dependent by the taxpayer.

4. A \$250 deduction for each taxpayer and every dependent of the taxpayer who is a qualified disabled veteran.
5. \$1,500 for a taxpayer who is single or married filing separately (\$3,000 if married filing jointly) and can be claimed as a dependent on someone else's return. (See the worksheet on page 10 of the instruction booklet).

Note: Part-year residents and nonresidents must prorate the exemption allowance using Schedule NR.

Special exemptions are:

1. A special exemption may be claimed for the taxpayer, spouse, and each dependent of the taxpayer who is age 65 or older on December 31, 2008.
2. A special exemption may be claimed for the taxpayer, spouse, and each dependent of the taxpayer who is disabled in any of the following ways:
 - A. Hemiplegic. An individual who has paralysis of one side of the body.
 - B. Paraplegic. An individual who has paralysis of the lower half of the body.
 - C. Quadriplegic. An individual who has paralysis of both arms and both legs.
 - D. Totally and permanently disabled. As defined under Social Security Guidelines (42U5c416 of the U.S. Code). Do not claim totally and permanently disabled if the taxpayer is age 65 or older.
 - E. Blind. An individual who has a permanent impairment of both eyes of the following status: central visual acuity of 20/200 or less in the better eye, with corrective glasses, or central visual acuity of more than 20/200 if there is a field defect in which the peripheral field has contracted to such an extent that the widest diameter of visual field of not greater than 20 degrees in the better eye.
 - F. Deaf. An individual whose primary method of receiving messages is through a sense other than hearing.
3. A single special exemption may be claimed if 50 percent or more of the taxpayer's AGI is from unemployment.

ADJUSTED GROSS INCOME

Enter the AGI (loss) from the U.S. form 1040, 1040A, or 1040EZ.

ADDITIONS TO ADJUSTED GROSS INCOME

The following are the most common additions and must be entered on Schedule 1: Additions to Income. Enter the total on line 7 and carry total to line 11 of form MI-1040.

- Interest and dividends from obligations or securities of states other than Michigan and their political subdivisions
- Losses from out-of-state businesses, partnerships, S corporations
- Losses from out-of-state rental of real property
- Out-of-state farm losses
- Losses from the sale or exchange of U.S. obligations
- Deduction for self employment tax on U.S. form 1040
- Refund received from the termination of a Michigan Education Trust (MET) contract
- Michigan portion of gain from form MI-1040D or MI-4797.

SUBTRACTIONS FROM ADJUSTED GROSS INCOME

The following are the most common allowable subtractions and must be entered on Schedule 1: Subtractions From Income. Enter the total on line 21 and carry total to line 13 of form MI-1040.

- U.S. obligations (attach copy of U.S. Schedule B if over \$5,000) (*see Income Tax Federal Obligations Taxability, page 85*)
- Military pay and military retirement benefits (*see Military Pay, Allowable IT Subtractions, page 83*)
- Pensions and retirement income from Michigan governmental units (to the extent included in AGI)
- U.S. Government (federal Civil Service) pension and retirement income (to the extent included in AGI)
- Other pension and retirement income (*see "Private Pensions," page 64*)
- Retirement annuities that are paid for life to a senior citizen age 65 or over (*see limitation on page 65*)
- Interest and dividend and capital gains income received by a senior citizen age 65 or over (*see page 67 for limits and qualifications*)

- Proceeds and prizes won in Michigan regulated bingo, raffle, or charity games to the extent included in AGI
- Refunds of Michigan city and state income taxes and homestead property tax credit received in 2008 (if included in AGI)
- **Taxable amount** of Social Security included in AGI from U.S. form 1040, line 20b, or U.S. form 1040A, line 14b
- Wages and salaries earned by **resident of a reciprocal state**
- Income earned while a resident of a Renaissance Zone
- Income used to compute the credit for the elderly or totally and permanently disabled from federal Schedule R (attach a copy of federal Schedule R)
- Income attributed to another state (line 11 on Schedule 1: Subtractions From Income)
- Federal portion of capital gains from form MI-1040D or MI-4797
- Gross income included in AGI from Michigan gas and oil royalty interest or working interest
- Contributions made to the Michigan Education Savings Program (MESP), not to exceed \$5,000 for a single return or \$10,000 for a joint return per year
- The amount of an advance payment under a MET contract during the tax year
- Distribution from a pension or retirement plan that is contributed to a qualifying charitable organization
- Qualified withdrawals from an MESP that are included in AGI.

Do not allow the subtraction of any of the following:

- Income from U.S. Public Health Service
- Itemized deductions (federal Schedule A)
- Wages, salaries, and personal compensation earned in Michigan of a resident or nonresident, unless a resident of a reciprocal state
- Pensions, if the taxpayer did not meet the minimum requirements for pension under the terms of the plan
- Distributions from IRAs before the age of 59½, unless the taxpayer meets the guidelines of IRC 72(t)(2)(A)(iv)
- Unemployment benefits

- Wage continuation plans (disability pension benefits are not from wage continuation plans)
- Stock purchase plans that do not qualify as pension plans under the IRC
- IRA, Keogh contributions (these are subtracted in arriving at AGI)
- Lottery winnings (unless receiving installment payments from prizes won before December 30, 1988).

PENSIONS AND RETIREMENT BENEFITS

For purposes of this section, the term “pension” will include pension and retirement benefits.

A subtraction is allowed on the Michigan return for qualifying distributions from pension plans. Pension plans include private and public employer plans, and individual accounts, such as IRAs. To be considered a qualified distribution, several requirements must be met. For employer plans, an employee generally must have retired under the provisions of the plan, the pension benefits must be paid from a retirement trust fund, and the payment must be made to either the employee or a surviving spouse. (Payments made to a surviving spouse are only deductible if the employee qualified for the subtraction at the time of death.)

Public Pensions

Public pensions are retirement or pension benefits received from a federal or Michigan public retirement system, or from a retirement system of a political subdivision of Michigan. Distributions from these pension systems may be deducted to the extent included in AGI.

Private Pensions

Private pensions are retirement or pension benefits distributed from a pension trust qualified under IRC section 401(a). The maximum deduction for a private pension is adjusted annually by the percentage increase in the U.S. Consumer Price Index. The maximum deduction for the 2008 tax year is \$43,440 for a single filer and \$86,880 for a joint return.

The following table outlines the current year’s and prior years’ maximum pension deductions.

<u>Tax Year</u>	<u>Single Return</u>	<u>Joint Return</u>
2004	38,550	77,100
2005	39,570	79,140
2006	40,920	81,840
2007	42,240	84,480
2008	43,440	86,880

Example: Cavan is retired and single. He has a State of Michigan pension of \$33,450 and a qualified private pension of \$13,030. His total pension deduction for 2008 is calculated as follows:

Maximum private pension deduction	\$ 43,440
Less: Public Pension	<u>-33,450</u>
Allowable private pension subtraction	\$ 9,990
Cavan's total pension subtraction is:	
Public	\$33,450
Private	<u>9,990</u>
Total	\$ 43,440

If Cavan's public pension was more than \$43,440, then he would not be able to subtract any of his private pension.

Examples of other distributions that qualify for the private pension deduction are:

- **IRA.** Distributions for individuals 59½ or older, distributions made on account of disability or death of the participant, and distributions described under IRC section 72(t)(2)(iii)(iv) (series of equal periodic payments made for life). Distributions made on account of the death of the participant may only be subtracted by a surviving spouse, and only if the distributions qualified as a subtraction for the participant at the time of death.
- **Senior Citizen Annuity.** Benefits received from a retirement annuity policy in which payments are made for life to a senior citizen.

For purposes of the retirement annuity subtraction, a senior citizen is defined in MCL 206.514(1) as an "individual ...who is 65 years of age or older at the close of the tax year. The term also includes the unremarried surviving spouse of a person who was 65 years of age or older at the time of death."

- **401(k) or 403(b) Deduction.** Distributions from a 401(k) or 403(b) plan are deductible to the extent that they represent distributions attributable to the employer's contributions or employee's contributions that were mandated by the plan. A contribution is considered mandated if the employee must contribute to elicit an employer match. If all the contributions are made by the employee or if the employee makes contributions that are not matched by the employer, any distributions attributable to the employee contributions will not qualify for the subtraction.

Example: Richard's employer established a 401(k) plan for its employees. The plan provides for a 50 percent employer match of employee contributions up to the maximum employer match of three percent of the employee's salary. The plan also allows the employees to make additional unmatched contributions up to the annual percentage rate allowed by the IRC. In 2008, Richard retired under the provisions of the retirement plan at age 60. At the time of his retirement, Richard received an annual statement from the 401(k) plan showing total contributions of \$450,000, of which \$100,000 were employer contributions. Richard took a distribution of \$24,000 in 2007, the year he retired.

Since the plan includes unmatched employee contributions, Richard must determine what amount of the \$24,000 distribution is attributed to the unmatched contributions. The plan called for a 50 percent employer match; therefore, \$200,000 of the employee contributions was required to elicit \$100,000 employer matching contributions. The remaining account balance of \$150,000 is unmatched employee contributions. The deductible amount of the 2008 distribution is determined as follows:

$$\$150,000/\$450,000 \times \$24,000 = \$8,000 \text{ (distribution attributed to unmatched distribution)}$$

$$\$24,000 - \$8,000 = \$16,000 \text{ (allowable pension subtraction)}$$

Note: All pension income must be included in HHI except for the original contributions made by the taxpayer to the pension fund.

An individual having a pension from both a public and a private retirement system or an IRA distribution must reduce the maximum allowable subtraction for the private pension by any distribution taken for pension income from a public retirement system.

Roth IRAs

Contributions to a Roth IRA are subject to Michigan income tax to the extent the contributions are included in federal AGI.

A rollover from a regular IRA to a Roth IRA is subject to Michigan income tax to the extent the rollover is included in federal AGI. However, if an individual is age 59½ when the rollover occurs, the individual may deduct the rollover as a pension deduction within the statutory limits for deducting pension income.

Also, a rollover from a regular IRA to a Roth IRA is subject to Michigan income tax for a taxpayer moving into and domiciled in Michigan to the extent the rollover is included in AGI. Conversely, a taxpayer moving from Michigan to another state is not taxed on the amount of a rollover from a regular IRA to a Roth IRA during the years the taxpayer is not domiciled in Michigan.

A qualified distribution from a Roth IRA is not subject to Michigan income tax because the distribution is not included in federal AGI.

A rollover from a regular IRA to a Roth IRA is included in HHI in the year the income is included in the taxpayer's federal AGI. 2003 was the first year a qualified or tax-free distribution could be made from a Roth IRA. The amount of a qualified distribution in excess of a taxpayer's contributions (rollover or regular contributions) must be included in HHI. A nonqualified or taxable distribution from a Roth IRA must be included in HHI to the extent it is included in a taxpayer's federal AGI. Investment losses from the liquidation of a Roth IRA are not allowed in household income.

Railroad Retirement and Pension Benefits

The taxable amount of Tier 2 income included in AGI may be subtracted as a public pension on the Michigan return. Tier 1 is taxable as Social Security on the federal return and should be subtracted as Social Security benefits to the extent in AGI.

SENIOR CITIZEN INTEREST, DIVIDEND, AND CAPITAL GAINS SUBTRACTION

This deduction may only be taken by a senior citizen age 65 or older. The deduction limits below must be reduced by the amount of pension subtraction taken by the taxpayer.

<u>Year</u>	<u>Single</u>	<u>Joint</u>
2004	8,595	17,190
2005	8,828	17,655
2006	9,128	18,255
2007	9,420	18,840
2008	9,690	19,380

TAX

The tax rate for 2008 is 4.35%.

For prior years use the following rates:

- 2007 - 4.01%
- 2006 - 3.90%
- 2005 - 3.90%
- 2004 - 3.95%

TAX CREDITS (NONREFUNDABLE)

What Is a Nonrefundable Tax Credit

A tax credit is a direct reduction of the tax and is based on a certain formula. Any excess of the credits listed below over tax due is not refundable.

City Income Tax Credit

A city income tax credit is based on a percentage of tax paid to Michigan cities.

1. Use the city tax withheld amount per form W-2 WAGE AND TAX STATEMENT.
2. Adjust this amount by the prior year's refund or additional payment made (per city tax return). Do not include penalties or interest paid.

Example:

1. Joseph Timmon's 2008 W-2 shows \$202 of city income tax withheld. Mr. Timmons filed his 2007 city income tax return on April 12, 2008 and received a refund of \$50 on May 15, 2008. Mr. Timmons would use the following calculation to determine amount of city income tax subject to credit on the 2008 form MI-1040:

2008 Withholding	\$202
2007 Refund Received in 2008	<u>-50</u>
City Tax Eligible for Credit Computation	<u>\$152</u>

2. Margaret O'Brian's 2008 W-2 shows \$345 of city income tax withheld. Mrs. O'Brian filed her 2007 city income tax return on April 20, 2008. She paid an additional tax of \$50 with the city return on April 20, 2008. Mrs. O'Brian would use the following calculation to determine her credit:

2008 Withholding	\$345
2007 Tax Paid in 2008	<u>+50</u>
City Tax Eligible for Credit Computation	<u>\$395</u>

Calculate the actual credit using the city income tax chart in the instruction booklet. The following are examples of city income tax credit calculation:

City Income Tax	Calculation	Allowable Credit
\$ 95	\$95 x 20%	\$19
125	20 + (\$ 25 x 10%)	23
185	25 + (\$ 35 x 5%)	27
325	25 + (\$175 x 5%)	34

Public Contributions Credit

The public contribution credit is an income tax credit for donations made to Michigan colleges and universities, Michigan public libraries, Michigan public broadcasting stations not affiliated with an institution of higher learning, Michigan Colleges Foundation, State Art in Public Places Fund, State of Michigan Museum, and State of Michigan for the Preservation of State Archives. *(See section under line 20 in the instruction booklet.)* The credit is limited to the **lesser** of:

- 50% of the contribution, or
- \$100 on a single return, or
- \$200 on a joint return.

Community Foundations Credit

The Community Foundations Credit is an income tax credit for donations made to certified charitable community foundations. A list of the eligible foundations can be found in the instruction booklet on page 48. The credit is limited to the **lesser** of:

- 50% of the contribution, or
- \$100 on a single return, or
- \$200 on a joint return.

Homeless Credit

A resident is allowed a credit for **cash** contributions made to a qualifying shelter for homeless persons, a food bank, a food kitchen, or other entity whose **primary** purpose is to provide overnight accommodation, food, or meals to indigent persons. The credit is limited to the **lesser** of:

- 50% of the contribution, or
- \$100 on a single return, or
- \$200 on a joint return.

Out-of-State Tax Credit

A Michigan resident is allowed a credit for income tax paid to another government unit(s) on income earned while a resident of Michigan and taxed by Michigan.

Note: Credit is not allowed for tax imposed by another state on business income apportioned to Michigan.

For a **Michigan resident** the allowable credit for tax imposed by:

1. **Another state** is the **lesser** of:
 - The actual tax imposed by the other state governmental unit on salaries/wages earned in that state, **or**

- The percentage of Michigan tax due on salaries/wages earned in the other state.

Tax Imposed

$$\frac{\text{Out-of-State Income Subject to Tax by Both States}}{\text{Total Income Subject to Michigan Tax (Line 14)}} \times \text{by Michigan (Line 17)}$$

To claim this credit, a return must be filed with the other state and a copy of the other state's return attached to form MI-1040.

Exceptions: The credit is not allowed on salaries and wages earned in Illinois, Indiana, Kentucky, Minnesota, Ohio, and Wisconsin since this income is not taxable by these states (based on reciprocity agreement). However, the credit is allowed if they pay a city or county tax in a reciprocal state.

The credit is not allowed on salaries and wages which are subtracted as "Income Attributable to Another State" (by a part-year or nonresident) since no Michigan income tax is calculated on this income.

2. A **Canadian province** is the **lesser** of:

- The Michigan tax due on Canadian income taxed by Michigan, **or**
- The portion of provincial tax not claimed as credit for U.S. income tax on income derived from Canadian sources also subject to Michigan income tax.

To claim this credit, file Michigan form 777 RESIDENT CREDIT FOR TAX IMPOSED BY A CANADIAN PROVINCE. Instructions are included. Attach copies of Canadian federal Individual Income Tax Return, Canadian form T-4, U.S. form 1116 Computation of Foreign Tax Credit, and U.S. form 1040.

Michigan Historic Preservation Credit

A taxpayer is allowed a nonrefundable credit of 25 percent of the qualified expenditures made for the rehabilitation of an historic resource pursuant to a rehabilitation plan. The rehabilitation plan and completed rehabilitation of the historic resource must be certified by the Michigan Historical Center.

Any unused portion of the credit may be carried forward for a maximum of 10 years.

For more information on how to qualify, visit the State Historic Preservation Office at www.michigan.gov/hal or call (517) 373-1630.

Michigan College Tuition and Fees Credit

A taxpayer may claim a credit against the income tax for tuition and fees paid on behalf of a student to a Michigan college or university. The amount of the credit is the **lesser** of 8 percent of the tuition and fees paid or \$375 for each student.

To be eligible for this credit the claimant must:

1. Be a Michigan resident.
2. Have AGI of \$200,000 or less.
3. Have paid tuition and/or fees on behalf of the student. Fees must be those that are paid uniformly by all students.

A list of the eligible colleges and universities is printed on the back of Schedule CT.

The student(s) must be working on an undergraduate degree or certificate. Tuition and fees paid for graduate studies are not eligible for the credit. The costs of books, room and board, transportation, etc., are not considered to be tuition/fees and cannot be used when calculating this credit.

The Michigan College Tuition and Fees Credit is claimed on form MI-1040. Treasury may require proof from the claimant to support the fees and tuition claimed in the calculation of this credit.

Vehicle Donation Program for 2008

Donors may claim a nonrefundable tax credit of the donation of an automobile to a charitable organization if the automobile is transferred to an individual for employment purposes.

Donors must receive form 4284 DONOR TAX CREDIT CERTIFICATE FOR DONATED AUTOMOBILE from a certified charitable organization to claim the credit.

The tax credit is equal to 50 percent of the **lesser** of the fair market value of the automobile as determined by the charitable organization or the National Automobile Dealers Association (NADA) guidebook, up to \$50 for a return filed by a single person or \$100 for a joint return.

A Michigan income tax credit is not available to donors who give motor vehicles to a church or house of religious worship, even if the vehicle is intended for use by a qualified recipient.

The following charitable organizations have qualified for the vehicle donation program for 2008. (The Credit Eligibility Number is also listed.)

Carlink, Inc.	604
Goodwill Industries of Mid-Michigan, Inc.	105
Goodwill Industries of Northern Michigan, Inc.	705
Goodwill Industries of Southeast Michigan, Inc.	905
Goodwill Industries of Southwestern Michigan, Inc.	601
Goodwill Industries of West Michigan, Inc.	803
Goodwill Wheels to Work	202

Although the certificate need not be attached, the three-digit code number must be entered whether the Michigan income tax return is e-filed or paper-filed. The taxpayer must save the certificate as proof if verification is later requested by Treasury.

Children's Trust Fund

Michigan taxpayers can voluntarily contribute \$5 or more to the Children's Trust Fund. Contributions are a key source of funding for child abuse/neglect prevention in local communities.

Military Family Relief Fund

Enter taxpayer's contribution on this line. The minimum contribution is \$1.

Children of Veterans Tuition Grant Program

For the 2007 tax year and each year after, an individual may designate on his or her annual income tax return that a contribution of \$2 or more of his or her refund be credited to the Michigan higher education assistance for the Children of Veterans Tuition Grant Program. The contribution will be subtracted from a taxpayer's refund or added to the taxpayer's liability.

USE TAX

The taxpayer must use Worksheet 1, page 9, in the instruction booklet to calculate the tax and enter the amount of tax due on line 25.

TAX CREDITS (REFUNDABLE)

Homestead Property Tax Credit

This credit was covered in Chapter 2 of this Manual.

Farmland Preservation Tax Credit

This credit is for taxpayers who have entered into a Farmland Development Rights Agreement with the Department of Agriculture. To receive this credit, complete form MI-1040CR-5 and attach it to form MI-1040. Form MI-1040CR-5 is supplied to the taxpayer by the Department of Agriculture.

When a Farmland Preservation Tax Credit is claimed, the taxpayer must attach the following items to form MI-1040:

1. Property tax bills for 2008, with the agreement number listed on each of the tax bills and a receipt verifying payment of 2007 or 2008 property taxes. (Failure to show proof of payment will result in a check jointly payable to the taxpayer and the county treasurer.)
2. If ownership of the agreement is other than individual, appropriate distribution statement or partnership schedules.

Taxpayers who claim a farmland preservation tax credit may also claim a credit for a homestead property tax credit using the same taxes. However, total credits cannot exceed property taxes levied for the tax year.

Adoption Credit

The Adoption Credit allows an eligible taxpayer to claim an adoption credit against the tax imposed by the Act that is equal to the taxpayer's qualified expenses that are in excess of the amount of the credit for qualified adoption expenses the taxpayer claimed under IRC Section 23 (Adoption Expenses) **or \$1,200** per child, whichever is less.

"Eligible taxpayer" is a taxpayer who has claimed a credit under IRC Section 23 for the same tax year in which the taxpayer is claiming an adoption credit on the Michigan income tax return.

"Qualified adoption expenses" are those expenses that can be claimed as a credit under IRC Section 23 for the same tax year.

If there are no excess federal adoption expenses or no federal adoption credit taken, there is no Michigan credit.

Stillbirth Credit

The Income Tax Act was amended for tax years beginning after December 31, 2005, to provide a taxpayer a credit against the tax imposed by the Income Tax Act equal to 4.5 percent of the exemption amount for the tax year allowed under Section 30(2) for a single exemption, rounded up to the nearest \$10 in the tax year for which the taxpayer has a certificate of stillbirth from the Department of Community Health.

Income Tax Withheld

This appears on the taxpayer's W-2 statement under "Michigan Tax Withheld." Be sure to include withholding for each W-2. Complete Schedule W and attach it to the return.

Claim of Right Doctrine

The Michigan Income Tax Act allows a refundable credit for tax paid on income in an earlier year because the taxpayer thought he or she had an unrestricted right to it, but had to repay that amount in the current year. For example, if the taxpayer received the money in 2004 and had to repay it in 2008, he or she may claim a credit on the 2008 return.

The amount of the repayment must have been deducted on U.S. Schedule A or claimed as a credit on U.S. form 1040 to claim a credit on the Michigan return. If the repayment was deducted in arriving at AGI, no additional credit is allowed on the Michigan return.

To compute the credit, multiply the amount that was repaid in 2008 by the tax rate in effect in the year the money was received. Then add the amount of the credit to the Michigan tax withheld and include it on the withholding line on form MI-1040. Write “Claim of Right” next to the withholding line.

The following documents must be attached to form MI-1040: a schedule showing the computation of the Michigan credit, proof of the repayment, and the portion of the federal return showing the deduction or credit claimed under the claim of right.

Estimate Payments/Credit Forward

Ask the taxpayer if any estimate payments were made for the tax year or if there is a credit forward to be applied from the previous tax year.

Any taxpayer who expects his or her tax liability for the year to exceed \$500 after withholding and tax credits should file form MI-1040ES and make quarterly estimated payments for the year. Refer questions regarding estimates to your supervisor.

CHAPTER 5

ATTACHMENTS

INCOME AND DEDUCTIBLE ITEMS

Key: N = Not included
Y = Included

AGI = Adjusted Gross Income
HHI = Household Income

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Alimony received	Y	Y	Y
Awards, prizes (in excess of \$300 for HHI)	Y	Y	Y
<hr/>			
Bingo:			
First \$300 (Michigan)	Y	N	N
In excess of \$300 (Michigan)	Y	N	Y
First \$300 (from another state)	Y	Y	N
In excess of \$300 (from another state)	Y	Y	Y
Bonuses	Y	Y	Y
Business (Schedule C) income or loss:			
In Michigan (except Michigan oil and gas subject to severance tax)	Y	Y	Y
From another state and/or Michigan oil and gas subject to severance tax	Y	N	Y
<hr/>			
Capital gains:			
100% taxable	Y	Y	Y
<p>Note: This subtraction is adjusted by the percentage increase in the U.S. Consumer Price Index for the preceding calendar year. See the MI-1040 instruction booklet for the year being reviewed.</p> <p>Senior citizen age 65 or older may subtract interest, dividends and capital gains included in AGI. The maximum deduction must be reduced by the pension subtraction. Allowable deduction is the smaller of the calculation or actual total interest, dividends and capital gains.</p>			
Gains on sale of principle residence	N	N	Y
Casualty loss reimbursement in excess of loss of property	Y	Y	Y
Child support payments:			
Payer	Y	Y	Y
Receiver	N	N	Y
Chore service payments:			
Provider of service	Y	Y	Y
Receiver of service	N	N	N

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Commissions	Y	Y	Y
Compensation for personal services rendered	Y	Y	Y
Damages for personal injury or sickness	N	N	Y
Deferred compensation	Y	Y	Y
Director's fees	Y	Y	Y
Disability income (limited)	Y	Y	Y
Policeman and Firemen On-Duty "J-Days"	N	N	Y
Dividends received (see Note under "Capital gains")	Y	Y	Y
Educational expenses paid by employer	N	N	Y
Employee business expenses, cash allowance or reimbursement	Y	Y	Y
Energy assistance grants or tax credit	N	N	N
Estates or trusts income or loss	Y	Y	Y
FIP benefits (see "Public Assistance")			
Farm income or loss from:			
Michigan	Y	Y	Y
Another state	Y	N	Y
Farm portion of homestead property tax credit	Y	Y	N
Farmland preservation tax credits	Y	Y	Y
Foreign earned income exclusion	N	N	Y
Foster care payments	N	N	Y
Gambling:			
Winnings (in excess of \$300 for HHI)	Y	Y	Y
Losses:			
Professional gamblers	Y	Y	Y
All others	N	N	N
Gifts - cash:			
First \$300	N	N	N
Excess over \$300	N	N	Y

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Government grant for home repair or improvement	N	N	N
Government payments made directly to educational institutions or housing projects	N	N	N
Health, life (unless benefits exceed \$50,000), and accident insurance premiums paid by employer	N	N	N
Homestead property tax credits	Y	N	N
Housing allowance for clergy	N	N	Y
Inheritance bequest or devise from:			
Non-spouse	N	N	Y
Spouse	N	N	N
Interest received on:			
Banking, savings and loan assoc., etc., accounts	Y	Y	Y
Insurance dividends	Y	Y	Y
Land contracts	Y	Y	Y
Money market and savings certificates	Y	Y	Y
Municipal bonds issued by another state	N	Y	Y
Municipal bonds issued by Michigan	N	N	Y
Tax refunds	Y	Y	Y
U.S. Obligations (only specific agencies exempt)	Y	N	Y
Interest taxable to Michigan (see Note under “Capital gains”)			
Life insurance proceeds paid to:			
Non-spouse	N	N	Y
Spouse	N	N	N
Life insurance - cash in amount in excess of premiums	Y	Y	Y
Living expenses of claimant paid by another person	N	N	Y
Loans received or paid	N	N	N
Long-term disability payments received (if all or part of premium paid by employer)	Y	Y	Y
Lottery:			
100% taxable (in excess of \$300 for HHI)	Y	Y	Y
Installment winners of Michigan lottery who won prior to 12-30-1988	Y	N	Y

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Lump sum distribution included in 10-year averaging (for individuals born before 1936)	N	N	Y
Medicare payments	N	N	N
Military wages or retirements	Y	N	Y
Combat pay not excluded from taxable on federal return	Y	N	Y
Combat pay excluded from taxable on federal return	N	N	Y
Moving expenses, reimbursement:			
Moving into Michigan	Y	Y	Y
Moving out of Michigan	Y	N	N
Net operating loss deduction for household income (limited to federal modified taxable income)	Y	Y	Y
Partnership income or loss:			
In Michigan (except Michigan oil and gas subject to severance tax)	Y	Y	Y
From another state and/or Michigan oil and gas subject to severance tax	Y	N	Y
Private pensions up to amount allowed as subtraction for claimed year	Y	N	Y
Note: This subtraction is adjusted by the percentage increase in the U.S. Consumer Price Index for the preceding calendar year. See the MI-1040 instruction booklet for the year being reviewed.			
Private pensions or qualified annuity plans in excess of amount allowed as subtraction for claimed year	Y	Y	Y
Public pensions (Federal, State of Michigan or Municipal Governments located in Michigan)	Y	N	Y
Public pensions (states other than Michigan or Municipal Governments located outside of Michigan)	Y	N	Y
Note: Limited to Michigan's private pension limits for states other than:			
Alaska, Florida, Hawaii, Illinois, Massachusetts, Mississippi, Nevada, New Hampshire, Pennsylvania, South Dakota, Tennessee, Texas, Washington and Wyoming. Refer to Chart CC-41013.			

<u>Income Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
Public assistance payments from Department of Human Services			
FIP paid to grandparents for care of grandchildren	N	N	Y
FIP paid to parents for children	N	N	Y
Public health officer's income:			
Michigan resident	Y	Y	Y
Nonresident	Y	N	N
Railroad sick pay	Y	Y	Y
Railroad Tier 1 retirement benefits:			
Taxable amount	Y	N	Y
Nontaxable portion	N	N	Y
Railroad Tier 2 retirement benefits	Y	N	Y
Railroad unemployment benefits	N	N	Y
Refunds - Michigan state and local income tax	Y	N	N
Relief in kind	N	N	N
Rents and royalties income or loss:			
In Michigan (except Michigan oil and gas royalties subject to severance tax)	Y	Y	Y
From another state and/or Michigan oil and gas royalties subject to severance tax	Y	N	Y
Retirement benefits (see "Private and Public pensions . . .")	Y	N	Y
S corporation business activity:			
In Michigan (except Michigan oil and gas subject to severance tax)	Y	Y	Y
In another state and/or Michigan oil and gas subject to severance tax	Y	N	Y
Scholarship, stipends, education grants, GI bill benefits	N	N	Y
Note: Scholarship must be received and used for qualified tuition and related expenses such as fees, books, supplies and equipment required for courses of instruction at a qualified organization.			
Scholarships or grants received and used for nonqualified expenses that are included in federal AGI such as room and board.	Y	Y	Y
Severance pay	Y	Y	Y

<u>Income Items</u>	<u>AGI</u>	Michigan Taxable Income	<u>HHI</u>
Sick pay	Y	Y	Y
Social Security benefits:			
Taxable amount	Y	N	Y
Nontaxable portion	N	N	Y
Stipends received for benefit of grantor (interns, resident doctors)	Y	Y	Y
Strike pay	Y	Y	Y
Supplemental gain (form 4797)	Y	Y	Y
Supplemental unemployment benefits	Y	Y	Y
Surplus foods	N	N	N
Unemployment compensation	Y	Y	Y
Unemployment compensation from railroad	N	N	Y
Vacation allowance	Y	Y	Y
Veterans Administration benefits	N	N	Y
Wages, salaries, tips	Y	Y	Y
Workers' Compensation	N	N	Y

<u>Deductible Items</u>	<u>AGI</u>	Michigan Taxable Income	<u>HHI</u>
Alimony paid	Y	Y	Y
Capital losses:			
Short-term, maximum \$3,000 (HHI, maximum \$3,000)	Y	Y	Y
Long-term, maximum \$3,000 (HHI, maximum \$3,000)	Y	Y	Y
Casualty Loss:			
Claimed as itemized deduction	N	N	N
Claimed as business deduction	Y	Y	Y

<u>Deductible Items</u>	<u>AGI</u>	<u>Michigan Taxable Income</u>	<u>HHI</u>
“Claim of Right” (repayment of items previously included in income) taken as:			
Itemized deduction (Michigan credit taken)	N	N	N
Federal tax credit (Michigan credit taken)	N	N	N
Deduction reflected in AGI	Y	Y	Y
Health and accident insurance paid by taxpayer for self and family	N	N	Y
IRA or Keogh (payments to)	Y	Y	Y
Moving Expenses:			
Moving into Michigan	Y	Y	Y
Moving out of Michigan	Y	N	N
Penalty on early withdrawal of savings	Y	Y	Y
Self-employment tax deduction	Y	N	Y
Venture Capital deduction	Y	N	N

End

MILITARY PAY, ALLOWABLE IT SUBTRACTIONS

Note: Compensation paid from federal appropriations, including retirement benefits, for military services in the armed forces is exempt from Michigan income tax and is deductible from adjusted gross income (AGI) by the recipient to the extent it is included in federal AGI. Employee business expenses attributable to military income shall reduce the subtraction for military income.

In the following cases, **income qualifies** as a subtraction for military pay:

1. Second set of digits of the employer identification number (EIN) on the W-2 wage and tax statement begin with 997, 998 or 999.

Three exceptions when EIN 35-9970000 would be taxable are:

- Payment to active or reserve member for a Do It Yourself (DITY) household move associated with a permanent change of station.
- Student loan payment made on behalf of a member to a lending institution.
- Separate W-2 is issued for these payments. Income is not subtracted out as military if there is a second W-2 issued under EIN 35-9970000 and taxpayer is not subtracting it out.

2. W-2 indicates:

- A particular unit, company (C.O.) or battalion (B.N.)
- A particular navy ship (U.S.S.) or Air Force Base (A.F.B.)
- “Disbursing Officer, Navy Finance Center, Cleveland OH”
- “Air Force Accounting and Finance Center, Denver, CO”
- “DFAS, ATTN: DFAS-IN/FJC” (EIN 35-1819323).

Note: If the EIN is 35-1819323, the entire amount of wages in box 1 qualifies for a subtraction on the Michigan return even if box 14 indicates a different amount of “active duty pay.” Box 14 is information for the Social Security Administration (SSA) and SSA’s definition of active pay is different than the State’s.

3. Reserve duty pay when called to duty by the President.
4. Military retirement pay.
5. National Guard pay **only** for the following:
 - Weeknight and regular weekend drills
 - Summer camp
 - Pay received for riot duty **while nationalized by the President.**
6. Public Health Officers - only those assigned to the Coast Guard or who are **nonresidents** of Michigan.

Note: Federal law prohibits any state other than the state of residence from taxing the wages of Public Health Officers from Health and Human Services.

In the following cases, **income does not qualify** as a subtraction for military pay:

1. W-2 forms from an Officer's Open Mess or similar establishment.
2. W-2 from the military shows an employer number identifying a civilian employee (i.e., taxable wages paid a civilian employee).
3. Wages paid to employees of the United States Property and Fiscal Office (USPFO).

Note: Michigan tax is typically withheld which is the best indication that it is civilian pay. If a taxpayer disputes the decision that the pay is civilian pay, request a copy of taxpayer's latest "Defense Finance and Accounting Service Military Leave and Earnings Statement" to verify that taxpayer is in the military.

4. W-2 issued from DFAS-Pensacola, Florida is military pay issued from this employer and is not an allowable subtraction as it is technical pay or other pay that is not active duty pay.
5. National Guard pay for the following:
 - Riot duty when called to duty by **the Governor** (paid by the State).
 - Full-time employment for which the taxpayer received a W-2 from the State.
6. Reserve duty pay when called to duty by **the Governor** (paid by the State).
7. Resident Public Health Officers (employees of Health and Human Services) for other than the Coast Guard.

Note: Residency of military personnel and Public Health Officers remains with the state from which they entered the service unless they have filed a declaration with the service to change it.

End

INCOME TAX FEDERAL OBLIGATIONS TAXABILITY

The following U.S. Obligations are exempt from Michigan Individual Income Tax:

U.S. Government Bonds
U.S. Government Certificates

U.S. Savings Bonds – Series E, F, G and H
U.S. Treasury Bills and Notes

Obligations issued by the following U.S. Agencies are exempt:

Banks for Cooperatives
Central Banks for Cooperatives
Commodity Credit Corp.
Consolidated Bonds
Consolidated Discount Notes
Consolidated System Bond, Series L
Consolidated Systemwide
Discount Notes
District of Columbia
Farm Credit Banks
Farmers Home Corp.
Federal Deposit Insurance Corp.
Federal Farm Credit Bank
Federal Farm Loan Corp.
Federal Farm Mortgage Corp.
Federal Financing Banks
Federal Home Loan Banks
Federal Housing Administration
(General Insurance Fund Debentures)

Federal Intermediate Credit Banks
Federal Intermediate Credit Corp.
Federal Land Banks
Federal Land Banks Association
Federal Savings and Loan Insurance
Corporation
Home Owner's Loan Corp.
Joint Stock Land Banks
Maritime Administration
Production Credit Association
Small Business Administration
Student Loan Marketing Association
Tennessee Valley Authority (bonds only)
U.S. Housing Authority
U.S. Maritime Commission
U.S. Possessions (obligations Puerto Rico,
Virgin Islands, etc.)
U.S. Postal Service (bonds)

The following debentures issued under the General Insurance Fund are exempt:

Interest from debentures issued under War Housing Insurance Law
Interest from debentures to acquire rental housing projects
Interest from Armed Service Housing Mortgage Debentures

The following General Services Administration Public Building Trust Participation Certificates are exempt:

1st series A through E
2nd series F
3rd series G
4th series H and I

The Guam Obligations issued by Government of Guam are exempt.

Notes: Income from **exempt** U.S. Obligations received by the taxpayer through Money Market Funds, Money Market Certificates, Mutual Funds, Trusts, etc., generally qualifies for a subtraction.

Treasury Bill Futures are **not** U.S. obligations.

The following U.S. Obligations are taxable:

Government National Mortgage Association (debentures, notes and participation certificates)
Federal National Mortgage Association participation and other instruments
Federal Home Loan Mortgage Corporation, mortgages and other securities
Federal Housing Administration (debentures, notes and participation certificates)
U.S. Department of Agriculture Farmers Home Administration Insured Notes
Export-Import Bank of Washington, D.C.
International Bank of Reconstruction and Development (World Bank)
Participation Certificates issued by the Federal National Mortgage Association
Building and Loan Associations
Credit Union Share Accounts
District of Columbia Armory Board
Federal Savings and Loan Associations
Panama Canal Bonds
Philippine Bonds
U.S. Government Insured Merchant Marine Bonds

Other examples of taxable interest from federal obligations:

Refunds of federal income tax
Interest-bearing certificates issued in lieu of tax-exempt securities, such income losing its identity when merged with other funds
Debentures issued to mortgages or mortgages foreclosed under the provisions of the National Housing Act
Promissory notes of the federal instrumentality
Federal Home Loan Time deposits
FSLIC secondary reserve prepayments
Government National Mortgage Association participation certificates and on Federal Home Loan Mortgage Corporation participation certificates in mortgage pools
U.S. Postal Service Certificates and savings deposits
Participating loans in the Federal Reserve System for member banks (Federal Funds)
Farmer's Home Administration

End

INCOME TAX ALLOCATION OF INCOME

<u>Type of Income</u>	<u>Allocate To</u>
Salaries, wages, tips, director fees, commissions, etc.	<p>State where earned and state of residence. A Michigan resident may be entitled to a credit if income also taxed by another state.</p> <p>Exception: Residents of reciprocal states are not taxed by Michigan on this type of income and vice versa.</p>
Deferred compensation:	
1. Principal portion	<p>State of residence when received. (See Revenue Administrative Bulletin 1997-2 for tax years prior to 1996.)</p> <p>State of residence when received.</p>
2. Interest portion	
Dividends and interest	<p>State of residence.</p> <p>Exception: If earned by a partnership or S corporation, allocate or apportion to the state of the business activity if business income.</p>
Business income or loss (Schedule C)	<p>State where business activity takes place. Business income attributable to Michigan and one or more states must be apportioned. (See Schedule H.)</p>
Partnerships, S corporations or other flow-through entities income or loss:	
1. Ordinary business income or loss (Schedule E)	State where business activity takes place.
2. All other business income or loss	State where business activity takes place.
3. Nonbusiness income or loss	State of residence.
Capital gain or loss (Schedule D or 4797):	
1. Intangible personal property such as stocks, bonds, commodities, futures, etc.	State of residence unless business income.
2. Section 1231	State where property is located unless business income.
3. Real property	State where real property is located.

<u>Type of Income</u>	<u>Allocate to</u>
Pension, retirement, annuity, qualifying IRA distributions and Social Security benefits	State of residence when received.
Rent and royalty income or loss (Schedule E):	
1. Tangible and intangible personal property	Michigan if utilized in this state, or if a resident and not taxable in the state where property is utilized.
2. Real property (includes royalties for minerals which came from real property such as oil and coal)	State where real property is located.
Estate or trust income or loss	Look to type and source of income and apply guidelines in this chart.
Farm income or loss (Schedule F)	State where farm is located.
Unemployment compensation	State of residence.
Alimony, prizes, state and local refunds, and gambling winnings	State of residence when received. (Michigan Lottery won by nonresidents is taxable to Michigan.)
Prizes won after September 30, 2003 from casinos or licensed horse tracks located in Michigan	State where casinos and horse tracks are located.

End



JOHN ENGLER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

DOUGLAS B. ROBERTS
STATE TREASURER

REVENUE ADMINISTRATIVE BULLETIN 2002-2

Approved: March 28, 2002

INDIVIDUAL INCOME TAX – HOMESTEAD PROPERTY TAX CREDIT PERMANENT RESIDENT OF A NURSING HOME

(Replaces Revenue Administrative Bulletin 1988-21)

RAB 2002-2. This Revenue Administrative Bulletin (RAB) describes a permanent nursing home resident's entitlement to a homestead property tax credit when substantially all or a part of the charges for rent, food, nursing or other services are paid directly to the nursing home by agencies of the state or federal government.

Entitlement to a Homestead Property Tax Credit

An individual natural person who was domiciled in Michigan for at least six months of the calendar year may file for a homestead property tax credit based on property taxes levied or rent paid on a Michigan homestead owned or rented as the claimant's principal residence. MCL 206.520(2) and Department of Treasury Rule, 1979 AC, R 206.28 provide that a claimant who rents or leases a homestead may claim a similar credit.

Property Taxes Eligible to be Claimed for the Credit

MCL 206.520(1) provides that the property taxes that may be used to calculate a property tax credit are the taxes on a homestead that are deductible for federal income tax purposes pursuant to Section 164 of the Internal Revenue Code of 1986, or the property taxes that would have been deductible if the taxpayer had elected to itemize his or her deductions. In computing the credit, "homestead property taxes" are the taxes levied on property and based on the taxable value of the homestead, including collection fees, or 20 percent of the gross rent paid. [MCL 206.520(2)]

The property taxes used for the credit computation may not be greater than the amount levied for one year and, pursuant to MCL 206.530(2), will be subject to further adjustment if the homestead is occupied less than a 12 month period.

Computation of Credit

The credit is equal to 60 percent of the property taxes levied on the homestead or property taxes paid in rent that exceed 3.5 percent of the claimant's household income, and subject to further reduction if the claimant receives aid to dependent children and/or has household income in excess of \$73,650.00 (as indexed). [MCL 206.520(8) and MCL 206.522(1)(a)]

MCL 206.522 describes other categories, for example senior citizen, that a claimant may qualify to file under for the credit. Generally, these other categories will entitle him or her to a larger percentage of the property taxes as a credit. The claimant may only elect one category in filing a claim. The total credit allowed to a claimant in a taxable year on or after December 31, 1975, may not exceed \$1,200.00. [MCL 206.520(16)]

A permanent resident of a nursing home may not use in the computation on a property tax credit all or a portion of his or her “allocable share” of property taxes, as defined in Department of Treasury Rules, 1979 AC, R 206.28(6), if the rent, food, nursing or other services are paid directly to the nursing home by an agency of the state or federal government.

This claimant is considered to have paid none of the property taxes in rent to the nursing home if he or she has no responsibility for rent, food and other nursing home charges. Only a renter or lessee may claim a property tax credit on property that he or she has contracted to rent or lease. Pursuant to MCL 206.520(1), the property taxes eligible for the credit must be the same property taxes that could have been deducted under Section 164 of the Internal Revenue Code of 1986. A cash basis taxpayer cannot claim a deduction of real estate taxes in excess of those property taxes which he or she has not paid.

Therefore, if all the charges for a permanent nursing home resident are paid directly to the nursing home by an agency of the state or federal government, the resident has not paid any property taxes and may not claim a property tax credit based on the “allocated share” of property taxes designated to a person residing in a nursing home.

Summary

A nursing home resident cannot claim as his or her “allocable share” of property taxes any sum that exceeds the total nursing home charges paid by him or her. In determining the total nursing home charges paid by the resident, any charges paid directly to the nursing home by state or federal agencies will be deducted from the total charges paid for the year from all sources. Where the total charges paid by the resident are less than the “allocable share” of property taxes, all payments made by him or her are designated as payment of taxes. And, where the total charges paid by the resident are equal to or greater than the resident's “allocable share,” the claimant may include the “allocable share” of property taxes in the computation of his or her credit.

Example: Nursing home charges for Resident A were billed in a lump sum of \$10,000 for rent, food, and other nursing services to the State of Michigan. Of that sum, \$9,600 was paid directly to the nursing home by the state. The resident paid the balance of \$400.00 due.

The resident's “allocable share” of property taxes on the facility, based on 100 beds and real property taxes of \$50,000.00, is \$500.00. However, since the total charges paid by him are less than his “allocable share,” only the lesser figure of \$400.00 may be utilized by the resident for calculating a property tax credit.

In computing the household income of a nursing home resident, any charges paid directly to the nursing home by an agency of the state or federal government are not required to be considered. See Department of Treasury Income Tax Rules, 1979 AC, R 206.4(2)(b). This Rule provides that “household income” does not include “[r]elief in kind by a governmental unit such as medicaid payments to a nursing home or doctor, or rent paid, in whole or in part, directly to the landlord....”



JOHN ENGLER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

DOUGLAS B. ROBERTS
STATE TREASURER

REVENUE ADMINISTRATIVE BULLETIN 2002-4

Approved: March 28, 2002

INDIVIDUAL INCOME TAX – HOMESTEAD PROPERTY TAX CREDIT WHEN ADULTS OTHER THAN HUSBAND AND WIFE SHARE HOMESTEAD

(Replaces Revenue Administrative Bulletin 1988-24)

RAB 2002-4. This Revenue Administrative Bulletin (RAB) explains who is considered an eligible claimant for the purpose of claiming a homestead property tax credit under MCL 206.520(1) and when a homestead is occupied by more than one adult who are not related as husband and wife.

To qualify as a claimant for homestead property tax credit purposes, the claimant must be an individual natural person who was domiciled in this state during at least six months of the calendar year preceding the year in which the claim is filed. Claimant includes a husband and wife if they file a joint State income tax return. [MCL 206.504(2)] A claimant must own or lease a homestead to qualify for the credit. [MCL 206.520]

Owner Defined

An owner is defined in Department of Treasury Rule, 1979 AC, R 206.27(1) as a natural person who owns his home or is:

- (a) purchasing a homestead under a mortgage or land contract, or
- (b) purchasing a dwelling on leased land, or
- (c) a tenant stockholder of a cooperative housing corporation, or
- (d) holding a life lease in a homestead previously sold, or
- (e) the sole occupant of a homestead where he is a joint owner.

Subsection (2) of Rule 206.27 provides that "[c]laimants not related as husband and wife, who jointly own and occupy the same dwelling, shall file separate claims on their prorated share of the taxes."

Renter Defined

A renter is defined in MCL 206.512(4) as "... a person who rents or leases a homestead."

Property Taxes Eligible to a Renter

A renter or lessee is entitled to use 20% of the gross rent paid during the tax year as property taxes eligible for the credit. However, the amount of gross rent paid by the lessee may not always be used to calculate the credit. The gross rent must be the amount the renter or lessee contracts to pay the landlord or the amount established in an arm's length transaction with the landlord. The Department will adjust the amount of gross rent if it determines that the amount is excessive.

Shared Homestead

In some cases, more than one eligible renter or lessee may occupy the same homestead. Each claimant is entitled to compute a homestead property tax credit based upon 20% of the gross rent he or she contracts to pay the landlord or agrees to pay the landlord based on an arm's length transaction.

An individual who does not have a contract to rent or cannot establish that an arm's length transaction exists between him or her and the landlord will be ineligible to claim a homestead property tax credit.

Examples:

An individual owns and occupies a homestead with her two adult children. Her children do not pay a specific rental or room and board charge, but sporadically contribute small sums of money to her. Since the children are not owners of the home nor do they contract to pay rent, the mother is entitled to claim all of the property taxes in the calculation of her homestead property tax credit.

Two unrelated individuals are sharing a rented home. Only one of these individuals has signed a rental agreement with the lessor. Each person pays one-half of the contract rent. The Department requires the non-contracting tenant to be able to prove her payments are bona fide if she claims a homestead property tax credit. [MCL 206.508(1)]

SUPPLEMENT RE: FIP CHILD SUPPORT ANNUAL STATEMENTS

This supplement is to be used to determine the correct amount of child support and FIP received during the year.

Quarterly Statements are sent to clients indicating the amount of child support received each year. The fourth quarter statement from the Office of Child Support at the Department of Human Services (DHS) includes the annual figures for the year.

Attached are three examples to assist in preparing the Michigan Homestead Property Tax Credit for FIP recipients who receive part of their benefit from child support payments.

Under the heading "Totals for 2008" there are five columns that may or may not have figures. Please read the explanation for each column.

Current Amount. The amount of child support paid by the noncustodial parent to Friend of the Court. Friend of the Court in turn remits the money to the State for reimbursement of the FIP paid to the custodial parent.

Arrearage amount. The amount of child support paid by the noncustodial parent to the Friend of the Court for arrearage. Friend of the Court in turn remits the money to the State for reimbursement of FIP either for prior years or for previous reporting periods in the same year.

Participation Payments Paid. A payment made directly to the FIP client. It is not in the total reflected on the FIP Annual Statement. It is included in the current amount on the Office of Child Support Statement. This figure must be added to the FIP Annual Statement to determine total FIP received.

Reimbursements Paid. A payment made directly to the FIP client. It is not in the total reflected on the FIP Annual Statement. It is included in the current amount on the Office of Child Support Statement. This figure must be added to the FIP Annual Statement to determine total FIP received.

Refunds Paid. A payment that goes back to the Friend of the Court who determines whether it goes to the custodial or noncustodial parent. This figure must be added to the FIP Annual Statement unless the FIP client can provide proof that the payment was **not** received.

To determine the total received, add the total on the FIP Annual Statement to the Rebates Paid, Reimbursements Paid, and Refunds Paid on the Office of Child Support Statement. This is the total derived from Friend of the Court and FIP.

Child support is the sum of the Current Amount and the Arrearage Amount.

If the child support figure is greater than the total received (FIP + Participation Payments Paid + Reimbursements Paid + Refunds Paid), limit the child support to the total received figure and enter on line 19 as Child Support.

If the child support figure is less than the total received (FIP + Participation Payments Paid + Reimbursements Paid + Refunds Paid), enter the child support on line 19 and the difference on line 23 as FIP and other DHS benefits.

SAMPLE 1

The claimant received a 2008 DHS Annual Statement reflecting \$4,800 for total FIP paid. The statement from the Office of Child Support reflects the following:

Current Amount	\$3,100
Arrearage Amount	1,900
Participation Payments Paid	600
Reimbursements Paid	37
Refunds Paid	0

To determine amount to be included in household income:

FIP per Annual Statement	\$4,800
Participation Payments Paid	600
Reimbursements Paid	37
Refunds Paid	<u>0</u>
Amount to be Included in Household Income	\$5,437

To determine child support:

Current Amount	\$3,100
Arrearage Amount	<u>1,900</u>
Total Child Support	\$5,000

To determine FIP income:

Household Income (Above)	\$5,437
Child Support (Above)	<u>-5,000</u>
Total FIP	\$ 437

CLIENT ANNUAL STATEMENT
State of Michigan Department of Human Services

SAMPLE 1

TOTALS FOR TAX YEAR
2005
CLIENT ID NUMBER
999999
SOCIAL SECURITY NUMBER
999-99-9999

FIP/SA \$4,800
RAP/REP
TOTAL PAID \$4,800

Ma Sample
1000 Main St.
Detroit, Mi. 48211

Listed above is the cash public assistance paid to you or on your behalf by the Department of Human Services (DHS) for the tax year show.

- The FIP/SA Total includes Family Independence Program (FIP) and State Disability Assistance (SDA) payments and vendor payments for shelter, heat and utilities.
- The RAP/REP Total includes Refugee Assistance and Repatriate Assistance Program payments and vendor payments for shelter, heat and utilities.

You may be eligible for special tax credits from the State of Michigan. If you file for tax credits, you must report the amount shown on this statement on the tax credit application. Do not attach this statement to the tax credit application because Treasury does not require a copy. You will receive a separate statement of the total child support sent by the Friend of the Court to the State of Michigan. You may need to include this child support statement to file for tax credits.

Visit your nearest Treasury office for further information and help regarding the tax credits or call Treasury toll free at 1-800-487-7000. Tax credit applications are available at all Treasury offices.

Report any Income Tax refund or Special Tax Credit you receive to your worker.

This statement is for information purposes only.

The Department of Human Services will not discriminate against any individual or group because of race, sex, religion, age, national origin, color, height, weight, marital status, political beliefs or disability. If you need help with reading, writing, hearing, etc., under the Americans with Disabilities Act, you are invited to make your needs known to a DHS office in your county.

SAMPLE 1

OFFICE OF CHILD SUPPORT
P.O. BOX 30037 LANSING MI 48909

REPORT DL-090
PAGE 1

STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCY
CHILD SUPPORT QUARTERLY STATEMENTS
LEGAL AUTHORITY 45 CFR 302.54
QUARTER ENDING 12/31/05

Ma Sample
1000 Main St.
Detroit, Mi 48211

*** INFORMATIONAL ONLY ***
*** NO ACTION NEEDED ***
*** SAVE FOR YOUR RECORDS ***

LISTED BELOW ARE CHILD SUPPORT COLLECTIONS SENT TO FIA AS REPORTED BY THE FRIEND OF THE COURT (FOC) FOR THE FIP CASE NUMBER ABOVE. THE STATE OF MICHIGAN MAY CONTINUE TO RECEIVE ARREARAGE COLLECTIONS, EVEN AFTER FIP BENEFITS STOP, UP TO THE TOTAL AMOUNT OF FIP RECEIVED BECAUSE YOU ASSIGNED TO FIA YOUR RIGHTS TO SUPPORT PAYMENTS WHEN YOU SIGNED YOUR ASSISTANCE APPLICATION.

*** COLLECTIONS REC'D BY FIA THIS QUARTER

COLLECTION MONTH/YEAR	FRIEND OF THE COURT	COURT ORDER NUMBER	CURRENT AMOUNT PAID	ARREAR AMOUNT PAID
	Wayne	XXXXXX	3,100	1,900

*** PAYMENTS MADE FROM COLLECTIONS SENT TO FIA PROCESSED THIS QUARTER ***

COLLECTION MONTH/YEAR	PAYMENT DATE	PARTIC PMTS PAID TO FAMILY	REIMBURSEMENTS (EXCESS SUPPORT) PAID TO FAMILY	REFUNDS PAID TO FAMILY, ABSENT PARENT OR FOC
		600.00	37	0

2008 MICHIGAN Homestead Property Tax Credit Claim MI-1040CR

Issued under authority of Public Act 281 of 1967. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: Ø 1 4 7

Attachment 05

PLACE LABEL HERE	1. Filer's First Name	M.I.	Last Name	2. Filer's Social Security Number (Example: 123-45-6789)
	If a Joint Return, Spouse's First Name	M.I.	Last Name	
	Home Address (No., Street, P.O. Box or Rural Route)			3. Spouse's Social Security Number (Example: 123-45-6789)
	City or Town	State	ZIP Code	4. School District Code (5 digits - see p. 45)

5. Check the box(es) for which you qualify:

a. ☐ Age 65 or older; or an unmarried spouse of a person who was 65 or older at the time of death

b. ☐ Deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled

6. Homeowners: Enter the 2008 taxable value of your homestead (see p. 20).....	6.		00
7. Property Taxes levied on your home in 2008 (see p. 18) or amount from line 42, 47 and 49	7.		00
8. Renters: Enter rent you paid in 2008 from line 44	8.		00
9. Multiply line 8 by 20% (0.20)	9.		00
10. Total. Add lines 7 and 9.....	10.		00

HOUSEHOLD INCOME. Include income from both spouses.

11. Wages, salaries, tips, sick, strike and SUB pay, etc.	11.		00
12. All interest and dividend income (including nontaxable interest)	12.		00
13. Net business, royalty or rent income (including self-employment)	13.		00
14. Retirement pension, annuity, and IRA benefits. Name of payer:	14.		00
15. Net farm income	15.		00
16. Capital gains less capital losses (see p. 21).....	16.		00
17. Alimony and other taxable income (see p. 21). Describe:	17.		00
18. Social Security, SSI and/or railroad retirement benefits	18.		00
19. Child support (see p. 21)	19.		00
20. Unemployment compensation	20.		00
21. Other nontaxable income (see p. 21). Describe:	21.		00
22. Workers' compensation, veterans' disability compensation and pension benefits	22.		00
23. FIP and other DHS benefits (do not include Food Assistance Program benefits)	23.		00
24. SUBTOTAL. Add lines 11 through 23.....	24.		00

25. Other adjustments (see p. 21). Describe:	25.		00
26. Medical insurance or HMO premiums you paid for you and your family	26.		00
27. Add lines 25 and 26.....	27.		00
28. HOUSEHOLD INCOME. Subtract line 27 from line 24. If more than \$82,650, STOP; you are not eligible....	28.		00
29. Multiply line 28 by 3.5% (0.035) or by the percent in Table 3 (see p. 22) (if negative, enter "0")	29.		00
30. Subtract line 29 from line 10. If line 29 is more than line 10, enter "0" and STOP; you are not eligible	30.		00

If you checked a box on line 5, complete line 32 or 33. FIP/DHS recipients, complete line 32.
All others must complete line 31.

31. Multiply line 30 by 60% (0.60) (maximum \$1,200). Go to line 34	31.		00
32. FIP/DHS recipients , enter amount from Worksheet 5 on p. 22. Seniors who pay rent , complete Worksheet 6 on p. 22 and enter amount from worksheet here (maximum \$1,200). Go to line 34	32.		00
33. If you checked a box on line 5 (if you completed line 32, skip this line), enter the amount from line 30 (maximum \$1,200). Go to line 34	33.		00
34. CREDIT. If your household income (line 28) is less than or equal to \$73,650, enter the amount that applies to you from line 31, 32 or 33 here. If household income is more than \$73,650, you must reduce your credit (see instructions on p. 22). If you file an MI-1040, carry this amount to your MI-1040, line 27	34.		00

SAMPLE 2

The claimant received a 2008 DHS Annual Statement reflecting \$5,508 for total FIP paid. The statement from the Office of Child Support reflects the following:

Current Amount	\$2,181
Arrearage Amount	360
Participation Payments Paid	350
Reimbursements Paid	0
Refunds Paid	0

To determine amount to be included in household income:

FIP per Annual Statement	\$5,508
Participation Payments Paid	<u>350</u>
Amount to be Included in Household Income	\$5,858

To determine child support:

Current Amount	\$2,181
Arrearage Amount	<u>360</u>
Total Child Support	\$2,541

To determine FIP income:

Household Income (Above)	\$5,858
Child Support (Above)	<u>-2,541</u>
Total FIP	\$3,317

CLIENT ANNUAL STATEMENT
State of Michigan Department of Human Services

SAMPLE 2

TOTALS FOR TAX YEAR
2005

CLIENT ID NUMBER
999999

SOCIAL SECURITY NUMBER
999-99-9999

FIP/SA	\$5,508
RAP/REP	
TOTAL PAID	\$5,508

Ma Sample
1000 Main St.
Detroit, Mi. 48211

Listed above is the cash public assistance paid to you or on your behalf by the Department of Human Services (DHS) for the tax year show.

- The FIP/SA Total includes Family Independence Program (FIP) and State Disability Assistance (SDA) payments and vendor payments for shelter, heat and utilities.
- The RAP/REP Total includes Refugee Assistance and Repatriate Assistance Program payments and vendor payments for shelter, heat and utilities.

You may be eligible for special tax credits from the State of Michigan. If you file for tax credits, you must report the amount shown on this statement on the tax credit application. Do not attach this statement to the tax credit application because Treasury does not require a copy. You will receive a separate statement of the total child support sent by the Friend of the Court to the State of Michigan. You may need to include this child support statement to file for tax credits.

Visit your nearest Treasury office for further information and help regarding the tax credits or call Treasury toll free at 1-800-487-7000. Tax credit applications are available at all Treasury offices.

Report any Income Tax refund or Special Tax Credit you receive to your worker.

This statement is for information purposes only.

SAMPLE 2

OFFICE OF CHILD SUPPORT
P.O. BOX 30037 LANSING MI 48909

REPORT DL-090
PAGE 1

STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCY
CHILD SUPPORT QUARTERLY STATEMENTS
LEGAL AUTHORITY 45 CFR 302.54
QUARTER ENDING 12/31/05

Ma Sample
1000 Main St.
Detroit, Mi. 48211

*** INFORMATIONAL ONLY ***
*** NO ACTION NEEDED ***
*** SAVE FOR YOUR RECORDS ***

LISTED BELOW ARE CHILD SUPPORT COLLECTIONS SENT TO FIA AS REPORTED BY THE FRIEND OF THE COURT (FOC) FOR THE FIP CASE NUMBER ABOVE. THE STATE OF MICHIGAN MAY CONTINUE TO RECEIVE ARREARAGE COLLECTIONS, EVEN AFTER FIP BENEFITS STOP, UP TO THE TOTAL AMOUNT OF FIP RECEIVED BECAUSE YOU ASSIGNED TO FIA YOUR RIGHTS TO SUPPORT PAYMENTS WHEN YOU SIGNED YOUR ASSISTANCE APPLICATION.

*** COLLECTIONS REC'D BY FIA THIS QUARTER ***

COLLECTION MONTH/YEAR	FRIEND OF THE COURT	COURT ORDER NUMBER	CURRENT AMOUNT PAID	ARREAR AMOUNT PAID
	Wayne	XXXXXX	2,181	360

*** PAYMENTS MADE FROM COLLECTIONS SENT TO FIA PROCESSED THIS QUARTER ***

COLLECTION MONTH/YEAR	PAYMENT DATE	PARTIC PMTS PAID TO FAMILY	REIMBURSEMENTS (EXCESS SUPPORT) PAID TO FAMILY	REFUNDS PAID TO FAMILY, ABSENT PARENT OR FOC
		350	0	0

2008 MICHIGAN Homestead Property Tax Credit Claim MI-1040CR

Issued under authority of Public Act 281 of 1967. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: Ø 1 4 7

Attachment 05

PLACE LABEL HERE	▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security Number (Example: 123-45-6789)
	If a Joint Return, Spouse's First Name	M.I.	Last Name	
	Home Address (No., Street, P.O. Box or Rural Route)			▶ 3. Spouse's Social Security Number (Example: 123-45-6789)
	City or Town	State	ZIP Code	▶ 4. School District Code (5 digits - see p. 45)

▶ 5. Check the box(es) for which you qualify:

a. ☐ Age 65 or older; or an unmarried spouse of a person who was 65 or older at the time of death

b. ☐ Deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled

6. Homeowners: Enter the 2008 taxable value of your homestead (see p. 20).....	▶ 6.		00
7. Property Taxes levied on your home in 2008 (see p. 18) or amount from line 42, 47 and 49	▶ 7.		00
8. Renters: Enter rent you paid in 2008 from line 44	▶ 8.		00
9. Multiply line 8 by 20% (0.20)	9.		00
10. Total. Add lines 7 and 9.....	10.		00

HOUSEHOLD INCOME. Include income from both spouses.

11. Wages, salaries, tips, sick, strike and SUB pay, etc.	▶ 11.		00
12. All interest and dividend income (including nontaxable interest).....	▶ 12.		00
13. Net business, royalty or rent income (including self-employment)	▶ 13.		00
14. Retirement pension, annuity, and IRA benefits. Name of payer:	▶ 14.		00
15. Net farm income	▶ 15.		00
16. Capital gains less capital losses (see p. 21).....	▶ 16.		00
17. Alimony and other taxable income (see p. 21). Describe:	▶ 17.		00
18. Social Security, SSI and/or railroad retirement benefits	▶ 18.		00
19. Child support (see p. 21)	▶ 19.		00
20. Unemployment compensation	▶ 20.		00
21. Other nontaxable income (see p. 21). Describe:	▶ 21.		00
22. Workers' compensation, veterans' disability compensation and pension benefits	▶ 22.		00
23. FIP and other DHS benefits (do not include Food Assistance Program benefits)	▶ 23.		00
24. SUBTOTAL. Add lines 11 through 23.....	24.		00

25. Other adjustments (see p. 21). Describe:	25.		00
26. Medical insurance or HMO premiums you paid for you and your family	26.		00
27. Add lines 25 and 26.....	▶ 27.		00
28. HOUSEHOLD INCOME. Subtract line 27 from line 24. If more than \$82,650, STOP; you are not eligible....	▶ 28.		00
29. Multiply line 28 by 3.5% (0.035) or by the percent in Table 3 (see p. 22) (if negative, enter "0")	29.		00
30. Subtract line 29 from line 10. If line 29 is more than line 10, enter "0" and STOP; you are not eligible	30.		00

If you checked a box on line 5, complete line 32 or 33. FIP/DHS recipients, complete line 32.
All others must complete line 31.

31. Multiply line 30 by 60% (0.60) (maximum \$1,200). Go to line 34	31.		00
32. FIP/DHS recipients , enter amount from Worksheet 5 on p. 22. Seniors who pay rent , complete Worksheet 6 on p. 22 and enter amount from worksheet here (maximum \$1,200). Go to line 34	32.		00
33. If you checked a box on line 5 (if you completed line 32, skip this line), enter the amount from line 30 (maximum \$1,200). Go to line 34	33.		00
34. CREDIT. If your household income (line 28) is less than or equal to \$73,650, enter the amount that applies to you from line 31, 32 or 33 here. If household income is more than \$73,650, you must reduce your credit (see instructions on p. 22). If you file an MI-1040, carry this amount to your MI-1040, line 27	▶ 34.		00

SAMPLE 3

The claimant received a 2008 DHS Annual Statement reflecting \$2,126 for total FIP paid. The statement from the Office of Child Support reflects the following:

Current Amount	\$2,684
Arrearage Amount	634
Participation Payments Paid	600
Reimbursements Paid	138
Refunds Paid	138

To determine amount to be included in household income:

FIP per Annual Statement	\$2,126
Participation Payments Paid	600
Reimbursements Paid	138
Refunds Paid	<u>138</u>
Amount to be Included in Household Income	\$3,002

To determine child support:

Current Amount	\$2,684
Arrearage Amount	<u>634</u>
Total Child Support	\$3,318

Since the child support figure is greater than the household income figure, limit the amount of child support to household income. Claimant's income will reflect child support only.

CLIENT ANNUAL STATEMENT
State of Michigan Department of Human Services

SAMPLE 3

TOTALS FOR TAX YEAR
2005
CLIENT ID NUMBER
999999
SOCIAL SECURITY NUMBER
999-99-9999

FIP/SA	\$2,126
RAP/REP	
TOTAL PAID	\$2,126

Ma Sample
1000 Main St.
Detroit, Mi 48211

Listed above is the cash public assistance paid to you or on your behalf by the Department of Human Services (DHS) for the tax year show.

- The FIP/SA Total includes Family Independence Program (FIP) and State Disability Assistance (SDA) payments and vendor payments for shelter, heat and utilities.
- The RAP/REP Total includes Refugee Assistance and Repatriate Assistance Program payments and vendor payments for shelter, heat and utilities.

You may be eligible for special tax credits from the State of Michigan. If you file for tax credits, you must report the amount shown on this statement on the tax credit application. Do not attach this statement to the tax credit application because Treasury does not require a copy. You will receive a separate statement of the total child support sent by the Friend of the Court to the State of Michigan. You may need to include this child support statement to file for tax credits.

Visit your nearest Treasury office for further information and help regarding the tax credits or call Treasury toll free at 1-800-487-7000. Tax credit applications are available at all Treasury offices.

Report any Income Tax refund or Special Tax Credit you receive to your worker.

This statement is for information purposes only.

SAMPLE 3

OFFICE OF CHILD SUPPORT
P.O. BOX 30037 LANSING MI 48909

REPORT DL-090
PAGE 1

STATE OF MICHIGAN
FAMILY INDEPENDENCE AGENCY
CHILD SUPPORT QUARTERLY STATEMENTS
LEGAL AUTHORITY 45 CFR 302.54
QUARTER ENDING 12/31/05

Ma Sample
1000 Main St.
Detroit, Mi. 48211

*** INFORMATIONAL ONLY ***
*** NO ACTION NEEDED ***
*** SAVE FOR YOUR RECORDS ***

LISTED BELOW ARE CHILD SUPPORT COLLECTIONS SENT TO FIA AS REPORTED BY THE FRIEND OF THE COURT (FOC) FOR THE FIP CASE NUMBER ABOVE. THE STATE OF MICHIGAN MAY CONTINUE TO RECEIVE ARREARAGE COLLECTIONS, EVEN AFTER FIP BENEFITS STOP, UP TO THE TOTAL AMOUNT OF FIP RECEIVED BECAUSE YOU ASSIGNED TO FIA YOUR RIGHTS TO SUPPORT PAYMENTS WHEN YOU SIGNED YOUR ASSISTANCE APPLICATION.

*** COLLECTIONS REC'D BY FIA THIS QUARTER ***

COLLECTION MONTH/YEAR	FRIEND OF THE COURT	COURT ORDER NUMBER	CURRENT AMOUNT PAID	ARREAR AMOUNT PAID
	WAYNE	XXXXXXX	2,684	634

*** PAYMENTS MADE FROM COLLECTIONS SENT TO FIA PROCESSED THIS QUARTER ***

COLLECTION MONTH/YEAR	PAYMENT DATE	PARTIC PMTS PAID TO FAMILY	REIMBURSEMENTS (EXCESS SUPPORT) PAID TO FAMILY	REFUNDS PAID TO FAMILY, ABSENT PARENT OR FOC
		600	138	1388

2008 MICHIGAN Homestead Property Tax Credit Claim MI-1040CR

Issued under authority of Public Act 281 of 1967. Type or print in blue or black ink.

Print numbers like this: 0123456789 - NOT like this: Ø 1 4 7

Attachment 05

PLACE LABEL HERE	▶ 1. Filer's First Name	M.I.	Last Name	▶ 2. Filer's Social Security Number (Example: 123-45-6789)
	If a Joint Return, Spouse's First Name	M.I.	Last Name	
	Home Address (No., Street, P.O. Box or Rural Route)			▶ 3. Spouse's Social Security Number (Example: 123-45-6789)
	City or Town	State	ZIP Code	▶ 4. School District Code (5 digits - see p. 45)

▶ 5. Check the box(es) for which you qualify:

a. ☐ Age 65 or older; or an unmarried spouse of a person who was 65 or older at the time of death

b. ☐ Deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled

6. Homeowners: Enter the 2008 taxable value of your homestead (see p. 20).....	▶ 6.		00
7. Property Taxes levied on your home in 2008 (see p. 18) or amount from line 42, 47 and 49	▶ 7.		00
8. Renters: Enter rent you paid in 2008 from line 44	▶ 8.		00
9. Multiply line 8 by 20% (0.20)	9.		00
10. Total. Add lines 7 and 9.....	10.		00

HOUSEHOLD INCOME. Include income from both spouses.

11. Wages, salaries, tips, sick, strike and SUB pay, etc.	▶ 11.		00
12. All interest and dividend income (including nontaxable interest).....	▶ 12.		00
13. Net business, royalty or rent income (including self-employment)	▶ 13.		00
14. Retirement pension, annuity, and IRA benefits. Name of payer:	▶ 14.		00
15. Net farm income	▶ 15.		00
16. Capital gains less capital losses (see p. 21).....	▶ 16.		00
17. Alimony and other taxable income (see p. 21). Describe:	▶ 17.		00
18. Social Security, SSI and/or railroad retirement benefits	▶ 18.		00
19. Child support (see p. 21)	▶ 19.		00
20. Unemployment compensation	▶ 20.		00
21. Other nontaxable income (see p. 21). Describe:	▶ 21.		00
22. Workers' compensation, veterans' disability compensation and pension benefits	▶ 22.		00
23. FIP and other DHS benefits (do not include Food Assistance Program benefits)	▶ 23.		00
24. SUBTOTAL. Add lines 11 through 23.....	24.		00

25. Other adjustments (see p. 21). Describe:	25.		00
26. Medical insurance or HMO premiums you paid for you and your family	26.		00
27. Add lines 25 and 26.....	▶ 27.		00
28. HOUSEHOLD INCOME. Subtract line 27 from line 24. If more than \$82,650, STOP; you are not eligible....	▶ 28.		00
29. Multiply line 28 by 3.5% (0.035) or by the percent in Table 3 (see p. 22) (if negative, enter "0")	29.		00
30. Subtract line 29 from line 10. If line 29 is more than line 10, enter "0" and STOP; you are not eligible	30.		00

If you checked a box on line 5, complete line 32 or 33. FIP/DHS recipients, complete line 32.
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31. Multiply line 30 by 60% (0.60) (maximum \$1,200). Go to line 34	31.		00
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33. If you checked a box on line 5 (if you completed line 32, skip this line), enter the amount from line 30 (maximum \$1,200). Go to line 34	33.		00
34. CREDIT. If your household income (line 28) is less than or equal to \$73,650, enter the amount that applies to you from line 31, 32 or 33 here. If household income is more than \$73,650, you must reduce your credit (see instructions on p. 22). If you file an MI-1040, carry this amount to your MI-1040, line 27	▶ 34.		00